Research paper on “MNC redefining the Socio-Cultural Environment of India: Challenges and Opportunities”

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Abstract
After the New Industrial policy 1991, globalization, liberalization and privatization changed the Indian economy. Many Multinational Companies started coming in India and soon India turned into business process outsourcing hub. The corporate culture of these MNCs had a deep influence on the working culture of Indians. In this research paper, an attempt has been made to understand the influence of MNCs culture on the working style and environment of Indian people. MNCs have influenced different sectors of Indian Economy like agriculture, education, technology, industrial sector. In the same way, they have influenced the culture and social values of India people in both positive and negative aspect. This paper discusses the different aspects in which cultural and societal changes have been bought by the arrival of MNCs.

Keywords: Multi-National Companies (MNCs), New Industrial policy, working culture, working environment

I. Introduction
A Multinational corporation (MNC) is an enterprise that is registered in more than one country or has operations in more than one country. It is a large corporation which both produces and sells goods or services in various countries and also referred to as an international corporation. Multinational corporation also known as transnational corporation is an enterprise that manages production of goods or services in at least two countries. Some large multinationals earn revenues that exceed the GDP of some countries. The concept of MNCs is not new in India. If you have a look in the past, you will find that the British East India Company and Dutch East India companies came to India for trade. These initial companies gained power in India because of the poor political conditions and mis-management of political scenario. India opened door for MNCs after adopting new economic policy of 1991, which promoted liberalization, globalization and privatization in India. A multinational company controls production and marketing facility in more than one country. For instance, Coca Cola is a company registered in U.S.A but has it production and selling operations in many countries. Some other popular MNCs in India are Pepsi, Sony, Cadbury etc. The common features of MNCs are giant size as the assets of MNCs run into billion of dollars, operation in several countries, dominant position (as there are only few corporations in a particular line of business), professional management and they cater to international market.

II. POSITIVE ASPECTS OF MULTINATIONAL CORPORATIONS
A Multi-national corporation has huge benefits that they bring to the host country. MNCS have large resources at their disposal. They trade in bulk so they can offer competitive prices to their customers. Besides that, MNCs also offer good quality product as compared to local manufacturers. Some of the main benefits of the arrival of MNC in the host country are:-

Integration with the world economy
MNCs help in the integration of economy of the host country with the world economy as they provide high quality goods at reasonable prices in the host country. Besides that, they facilitate the economy of the host nation by providing them the scarce capital and opportunities to trade with the world which they often lack.
Latest Technology
Multinationals bring with them latest technology and techniques. The MNCs often bring the much needed technology required for the growth of the host nation. This not only creates job opportunity but also makes the people of the host nation familiar with the latest technology. The technology bought by these MNCs is very helpful in the economic growth and development of the host country.

Employment Generation.
MNCs create jobs in the host country by promoting capital formation in the country. They offer much needed foreign currency for developing capital in the host country that leads to generation of employment. MNCS often create employment opportunities in the host country that leads to more growth opportunities in the country economically.

Offers Competitive Prices
The large size and scale of MNCs makes it possible to produce in bulk, thus getting benefit of economies of scale. These benefits are ultimately transferred to the consumers in the form of low prices for consumers. Thus, MNCs offer good quality product at affordable rates as they give a very healthy competition to the local firms.

Improving the balance of payments
MNCs bring in foreign currency required as initial investment for large projects. This help country’s balance of payments situation improves. The investment acts as flow of capital into the host country. They help in transfer of capital from one country to another. Therefore, they help improve the investment in the host country.
There are many advantages of MNCs as they bring with them professional management and large financial resources with them that if utilized properly can help in improving the economy of the host country.

III. NEGATIVE ASPECTS OF MULTINATIONAL CORPORATIONS
Though MNCs bring out many benefits along with them but they also face criticism. Since, MNCs have large financial resources at their disposal, they are often found to misuse those resources. They often indulge in political interference of the host country. The following are some of the criticism face against MNCs.

Tough Competition for Local Firms.
It becomes difficult for local businesses to grow because of the cut-throat competition they face from MNCs. MNCs are known for providing good quality products at really competitive prices. They also make use of economies of scale as provide affordable prices for imported goods. The competition faced by domestic industries from MNCs is also very tough as only few local firms have enough strength and expertise needed to face the competition with these global enterprises.

Exploitation of Indian Labour.
MNCs not only exploit the resources of the country but they also underpay the labor. If you compare the salaries of Indian workers with that of Western worker, you will observe a wide difference between the two. It has been observed that the pay difference between the employees of different nationals have huge differences despite the experience and qualification being the same.

Destruction of Local Handicrafts.
It is tough for the local firms and Indian handicrafts to compete against the high quality goods produced by MNC. The MNCs not only sell goods of supreme quality but the goods sold by them are of much superior quality than that of local firms. Therefore, their business diminishes and MNCs imposes a threat to them and many a times they even have to close down as they are not able to cope with the tough competition.
Outdated Technology
MNCs often bring the outdated technology from home nation to host nation. They often bring the outdated technology which doesn’t help in the development of home nation. The technology transferred by MNCs to India is not useful for us because they use capital intensive technique and we are a labor abundant country which makes the technology imported of lesser value for us.

Adversely Affects BOP In Long-Run
MNCs never improve the BOP situation in a country. Infact in most of the cases MNCs worsen the BOP position of the host country. Since BOP is divided into two parts i.e. capital and current accounts, the arrival of MNCs influences both capital and current account. The capital account position is adversely affected because as MNCs repatriate their profits to their home nation. The current account position is adversely affected because MNCs prefer imported goods against local goods. MNCs often import the raw material from their home nations.

Transfer pricing
Multinationals try to reduce their tax liability. The way adopted by them for reducing tax liability is transfer pricing. Through transfer pricing MNCs try to reduce their tax liability in countries with high tax rates by showing lower income and increase their income in the countries with low tax rates. Where the tax liability is more, they transfer their goods at higher cost to reduce their tax liability.

Production of non-essential commodities
In a country like India where there is a huge shortage of the essential food commodities, MNCs produce non-essentials or luxurious products because of better profits in those products. MNCs are engaged in the production of non-essential commodities and in this process they unnecessarily are involved in the wastage of resources of the country which should be utilized in productive commodities, thus acting as a drain on host country’s resources.

Degrade environment.
MNCs are known for working towards the motive of profit maximization as such they make use of non-renewable resources, leading to pollution and environment degradation. The way of working of MNCs is not same in developing and developed countries. The quality of their products, and services differ in both the countries. They prefer to establish in that country where tax laws are not strict similarly they prefer to establish in that country where environmental laws are lenient like developing countries.

Misuse political power
MNCs have huge resources at their disposal which they misuse by interfering in the politics of developing countries. MNCs gain the economic power in developing countries as they gain political power by bribing the politicians at the time of elections. They make use of their political contacts by manipulating industrial policies in their favor. There have been many cases of manipulation of policies in recent times. All such practices pose a big danger to the sovereignty of developing countries.

The political government of developing countries should make sure that they control the working of MNCs and proper rules and regulations are imposed on them.

MNCs: REDEFINING INDIAN CULTURE
With time, the governments of several countries have liberalized the trade and made it flexible leading to arrival of large multinational firms in their home market. Keeping in synchronization with the government of other countries, Indian government also followed the same path by removing restriction on trade and investment. One of the reason of this liberalization and globalization was the pressure from World Trade Organization and other large financial institutions it faced in 90s. The MNCs has
brought to India new technologies, better products and promising economic opportunities and much more advanced processes.

MNCs have made investments in R&D centers in the country despite facing resistance due to lack of basic infrastructure to promote manufacturing of their products and also despite finding a policy framework that doesn’t much support the establishment of these MNCs. Talk about education, health care, service sector, financial market or anything, you can find the influence of these MNCs in all the sectors of India. The impact has been both positive and negative in all the sectors. Even the influence of MNCs on social and cultural values in India is clearly visible. Now Indians are adopting to western culture and they accept it easily.

When these MNCs arrive in developing countries like India, the cultural difference between them plays an important role in the trade. More importantly, when a MNC enters a new market, culture of the host country definitely plays an important role in determining a proper entry mode into the market. MNCs have influenced the cultural heritage of our country. MNCs have influenced various aspects of life in India. They have definitely influenced the Indian culture, its value system and the lifestyle of Indians.

The influence on social and cultural values can be seen in the following factors:

1. The free flow of Information both general and commercial makes it easy for the youth to adopt western trends. Moreover, when MNCs come in India they also promote their product which indirectly promotes their culture.
2. MNC gives us greater exposure that indirectly liberalizes our attitudes, reduces our biasedness and predispositions about people, situations and communities worldwide. Moreover, MNCs makes us more aware about the western culture making it easier to adapt to it.
3. The advent of Information Technologies has changed the way of communication. Now it is easier to communicate and get connected to people living in foreign countries. Latest technology in every way supports communication as such making messages, information and data move faster and quickly to others.
4. MNCs also responsible for misallocation of resources in the developing countries like India because of absence of strict laws. They provide mainly luxurious products because there is more profit in it. They don’t take any measures to protect the environment of developing countries. They donot pay any regard to national priorities and attention to the cultural, moral and ethical value of the host country.
5. MNCs advertise their products through social networking sites indirectly promoting them. Moreover, social networking sites like Facebook, twitter etc makes it easier to follow others. These sites increases the interaction between people of different countries as such they also indirectly promote foreign culture.
6. MNCs promotes wastage which is avoided in Indian culture. They lead to demand for unnecessary products and also leads to increase in consumerism, for goods and services both necessary and perceived.
7. They are often involved in political interference and corrupt practices in the host country to mould the policies according to their will. This interference of MNCs have a negative impact on the cultural values of the host country as it encourages corrupt practices.

MNCs bring in cultural diversity making country stronger & able to compete in the new global economy.

Cultural Diversity: An opportunity.

We now live in modern times, in a global market, and all those businesses that wants to do business overseas must develop the resources in its workforce and suppliers in order to compete. MNCs in this context offers a good opportunity to business, local firms as they focus on global environment and also look into consideration the social and cultural issues associated with a particular country.

MNCs bring with them large financial resources and also cultural diversity. The cultural diversity bought by them makes country a more interesting and also a diverse land for all the people who belong to the country. Most of the countries lack the cross culture awareness to deal with diversity while
working in MNC. So, the arrival of MNCs in any country offers a good opportunity to get to know about the culture of the other country in a very unique manner.

Besides, MNCs also provide continuous improvement opportunity by creating positive work place environment by different types of team spirit activities and casual activities. With the help of different activities they create positive work force environment and develop employees’ relationship and bond to avoid conflicts where employees from different cultural sets are working together.

**Cultural Diversity: A Challenge.**
The differences in terms of behavior, work culture, values, attitudes and culture are some major challenges faced by MNC. Issues can soon transform into big troubles if you are working in a multi diverse cultures as clash are common to occur in a work situation because of culture diversity. This is often the case in a globalised work.

MNCs need to be sensitive to accepted norms of behavior and culture in the different countries because it influences the way people of that nation are going to accept the particular product. The cultural differences may exist in terms of age, gender, race, education and social status. To overcome this problem, the diversity bought by MNC’s is to be handled carefully by implementing strategies to convert the employees working together into a dynamic workforce.

The other major challenge faced by MNCs under cultural issues is the language barriers. Communication is essential for management and it relies upon a shared language but it poses a problem in the cultural issues as this requirement is not fulfilled in international business situations.

**OTHER AREAS AFFECTED BY MNCS.**
MNCs are changing India in many aspects. Some of the most important aspect in which MNCs are changing India is:-

**Industrial Sector**
Some economists think that MNCs are crucial for industrial sector in India as Indian companies learn new technique of production and techniques with the arrival of MNCs. MNCs increase competition in the industrial sector so when Indian companies compete with global giants they have to make improvement in their product quality by revolutionizing their processes. MNCs also bring foreign capital in the country, which help to expand the market and Indian industries also take benefit of it. MNCS have helped in India in increasing the share of industrial sector continuously. The contribution of the industrial sector in GPD has continuously increased in India from 1990s to present.

**Agriculture:**
The arrival of MNCs is changing the way Indians used to do agriculture. The technology now used in agriculture sector is much more advanced that the technology used earlier. Indian farmers now use fertilizers, high yielding variety of seeds that are imported from other countries. Agricultural economy grew from INR 3,71,378.4 Crore to INR 14,62,181.2 crores almost by 393.717% between 1992 and 2010 although the share of agriculture in the GDP is consistently decreasing from 28.99% in 1992 to 16.21% in 2010.

MNCs have brought in technology, modern equipment, developed seeds, fertilizers through their arrival in India. MNCs make farmers dependent on HYV (High Yield Variety) seeds, which are not suitable in all conditions and also kill the biodiversity. MNCs press for commercial crops leading to soil exploitation and loss in soil fertility gradually. With the rising pressure on farmers to take commercial crops the food security takes beating. Propagation of excessive use of chemical fertilizers through government machinery is rampant and killing our environment and local taste. Culture is up for grab in the hands of these MNC giants.
Education:
Earlier, both the infrastructure and the number of teachers in school was inadequate. Even the existing infrastructure like benches, boards and other facilities was of sub-standard quality. MNCs have contributed significantly to the level of education and growth of human capital in India. Since, the large MNCs require high quality of human professionals and workers in India, the state of education has improved as the demand for educative professionals have risen in India. MNCs though not directly have contributed in education sector but they have definitely help boost the educational sector indirectly. It has been observed that the liberalization of the Indian economy has influenced the higher education in a very encouraging manner as the country has to meet the manpower requirements of multinational corporations in terms of high quality. And as such the state of education in India is constantly improving to fulfill the demand of high quality of human professionals in the global giants.

Technology:
The state of technology was very outdated in India. Indians used to use the most outdated technology. Due to poor and outdated technology the productivity was also very low so the MNCs bring in their own technology and they have significant contribution in the field of technology. Technology bought by the MNCs is very helpful for investment development and competitive development of these countries. Technology of the MNCS is transferred through linkages (forward or backward), leverage and learning and these transfers are based on direct and indirect impact of MNCs on technological development. So, MNCs do improve the technological state of the host country despite facing many barriers.

Culture and social values:
India is a very vast country and has a very unique culture. The arrival of MNCs has definitely influenced both the urban and rural areas. Indian culture is touched and affected by western influence. MNCs have influenced the cultural heritage of our country. MNCs have influenced various aspects of life in India. They have definitely influenced the Indian culture, its value system and the lifestyle of Indians. Moreover multinational corporations (MNCs) operate in many cultures and should therefore, MNCs learn how to manage cultural issues in order to obtain cooperation among their employees to reap maximum benefits. MNCs bring with them large financial resources and also cultural diversity. The cultural diversity brought by them makes country a more interesting and also a diverse land for all the people who belong to the country. Most of the countries lack the cross culture awareness to deal with diversity while working in MNC. So, the arrival of MNCs in any country offers a good opportunity to get to know about the culture of the other country in a very unique manner.

CONCLUSION
There has been an overwhelming effect on India Culture due to the arrival of MNCs in India. They have impact on almost all sectors of the country. They have influenced the Indian culture both in positive and adverse way. Culture diversity bought by MNC have positive impact associated with it but there are also negative impacts associated with the same. MNC are mostly focusing on gaining market share, increasing revenues and profit. MNCs have changed the values, attitudes, belief and way of thinking of Indians in every possible way. The corporate culture of the MNCs has a deep influence on the culture of Indians. MNCs have influenced different sectors of Indian Economy like agriculture, education, technology, industrial sector. In the same way, they have influenced the culture and social values of India people in both positive and negative aspect. There are many different aspects in which cultural and societal changes have been bought by the arrival of MNCs.

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