



Multinational companies in India

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Abstract

Multinational Corporations (MNCs) or Transnational Corporation (TNC), or Multinational Enterprise (MNE) is a business unit which operates simultaneously in different countries of the world. In some cases, the manufacturing unit may be in one country, while the marketing and investment may be in other country. MNC companies have offices or factories in different countries and having a centralized head office where they coordinate global management. They, not only facilities their home country but also other also take benefits from them. All business operations are carried out in different countries with the strategic headquarters in any part the world.

Keywords: Multinational corporations (MNCs), transnational corporations (TNCs), multinational enterprises (MNEs), global business operations, international business

Introduction

The MNCs are huge business organizations which through a network of industries and marketing operations. Every student or educated person dream to work with MNCs. It gives the platform to approach goals and aims. It gives the experience to move internationally, where one person learn the culture and customs working together with the persons of other countries. Also, it's a place where one person gets experience, credibility and confidence to move ahead in career. Due to the potential, capability and India's fastest growing economy, many of the multinational companies are coming to India to extend their business. India also drives benefits with these MNC's companies such as level of investment, reduction in the technological gap, optimum utilization of natural resources, reduction in foreign exchange gap and boost to the basic economic structure. All the business operations are carried out in different countries, with the strategic headquarters in any part the world. The MNCs are huge business organizations which extend their business operations beyond the country of origin through a network of industries and marketing operations. They are multi-process and multi-product enterprises. The few examples of MNCs are Sony of Japan, IBM of USA, Siemens of Germany, Videocon and ITC of India, etc. There are over 40,000 MNCs with over 2,50,000 overseas affiliates. The top 300 MNCs control over 25 percent of the world economy.

Previously American based multinationals ruled the world, but today, many Japanese, Korean, European and Indian multinational companies have spread their wings in many parts of the world. Before entering into any country, at the headquarters of MNCs, experts from various fields such as political science, economics, commerce international trade and diplomacy are analyzing the business environment of a country and advising the top management. This research paper point out advantage & disadvantages and also the problems exist in multinational corporations and try to find out the ways for solving the problems.

Objectives of the study

The objectives of the study are –

1. To study about the definition of multinational corporation (MNC) and to know about the facilities & problems that are confronted in multination corporations.
2. To know about its positions, importance, necessity and performance in Indian economy.
3. To analyze the nature of the multinational corporation and to give a picture of working procedure & conditions of multinational corporations.
4. To know about its advantage and disadvantages
5. To suggest the measures for solving the problems of multinational corporation and to put forward an ideal model of multinational corporation.
6. To put forward recommendations for developing multinational corporations in India and to know about the government's undertaken policy for multinational corporations in India.

Methodology of the Study

The study is mainly based on secondary data. The data will be collected secondary source in Indian framework of Multinational Corporation. For evaluating the objectives of the study, the secondary data will be collected from various sources such as books, journals, reports, websites, university libraries, planning Commission. publications (central & state), state wise & district wise statistical office, different industrial market & multinational corporation RBI FDI data ,DPIIT list, Fortune 500 companies in India, AMCHAM/USIBC members etc. Parameters are universe about Foreign MNCs having operations in India between 2010-2025 and target sectors about Automobile, FMCG, Retail/E-commerce, Manufacturing, IT/ITES, Pharma etc.
Source Data Extracted
DPIIT, RBI FDI inflows, sector-wise approvals, FEMA violations 2010-2024
MCA21 Database Annual reports, profit/loss, CSR spend of foreign subsidiaries
SEBI, Stock Exchange Listed MNCs performance – HUL, Nestle, Maruti

World Bank Doing Business rankings, contract enforcement data 2010-2020^[9, 14]

Company Reports Annual reports, investor presentations, exit announcements

News Archives ET Prime, Business Standard, Mint – 500+ articles on MNC issues 2010^[14]-2025

Court Cases Vodafone, Cairn, Nokia tax cases – Supreme Court judgments

Definition and classification of Multinational Corporation

A large commercial organization with affiliates operating companies in a numbering of different countries. A typically one normally functions with a headquarters that is one country while other facilities are based in locations in other countries. In some circles, this type of corporation is referred to as a multinational enterprise (MBE) or a transnational corporation (TNC). There are several models of multinational corporations:

1. **Centralized:** In this model the executive headquarters are in one nation while production facilities are located in one or more other countries. This model often allows the company to take advantage of benefits of incorporating in a given locality while also being able to produce goods and services in areas where the cost of production is lower.
2. **Regional:** A Third approach to the setup of an MNC involves the establishment of a headquarters in one country that oversees a diverse conglomeration that stretches too many different countries and industries. With this model the corporation includes affiliates, subsidiaries and possibly even some facilities that report directly to the headquarters.
3. **Multinational:** In this model there is a parent company base in one nation operate subsidiaries in other countries around the world. With model, just about all the functions of the parent are based in the country of origin. The subsidiaries more or less function independently outside of a few basic toes to the parent.

In globalized world multinational corporations sometimes has a greater ability to adapt to economic and political shifts that corporations that corporations that function in a single nation. Along with decreasing costs associated with producing core products, this business model also opens the door for diversification which often makes it possible for a company to remain solvent even when one division or subsidiary is posting a temporary loss. A multinational company, known more commonly as a multinational corporation or transnational corporation in North America, is a branches, offices or production facilities in more than one country. Any firm that derives at least one quarter of all its business abroad is considered a multinational corporation. However, if all that foreign business comes purely from exports and the company has no officers, premises or production facilities abroad, it is not a multinational. According to the United Nations, the largest 100 multinational corporations' control about 40% of global trade. For the past 100 years, the vast majority of the world's largest multinational companies have been either Western European (Volkswagen, Nestle, BP), American

(Ford, Coca-Cola, Procter & Gamble) or Japanese (Toyota, Sony, Mitsubishi). Since the turn of the century, new multinationals have emerged in other regions such as in South Korea (Samsung and Hyundai), Mexico (Group Bimbo, Cemex), and China (Lenovo, Huawei). Nearly all major multinationals are either American, Japanese or Western European, such as Nike, Coca-Cola, Wal-Mart, AOL, Toshiba, Honda and BMW. Advocates of multinationals say they create high paying jobs and technologically advanced goods in countries that otherwise would not have access to such opportunities or goods. On the other hand, critics say multinationals have undue political influence over governments, exploit developing nations and create job losses in their own home countries. Generally, multinational corporations will derive at least a quarter of their revenues outside their home country.

Different Type of Multinationals

There are subtle differences between the different kinds of multinational corporations. For example, a transnational- which is one type of multinational- may have its home in at least two nations and spreads out its operations in many countries for a high level of local response. Nestle is an example of a transnational corporation that executes business and operational decisions in and outside of its headquarters. Meanwhile, a multinational enterprise controls and manages plants in at least two countries. This type of multinational will take part in foreign investment, as the company invests directly in host country plants in order to stake an ownership claim, thereby avoiding transaction costs. Apple is a great example of a multinational enterprise, as it tries to maximize cost advantages through foreign investments in international plants.

Reasons for growing Multinational Corporations (MNCs)

Companies become multinationals for several possible reasons.

1. To gain new markets- a business may find that it has reached saturation point at home and needs to find new markets. Initially, they may begin by exporting to other nations, but eventually will set up production, distribution and sales facilities abroad. Coca-Cola followed US soldiers around the world after WWI.
2. Lower costs- the cost on labor and land may be lower abroad. Businesses are always looking for ways to increase profits lowering costs in one way of achieving this. A car-factory worker in Mexico, for example, earns less than one-sixth per hour than his or her US counterpart.
3. To avoid tax- different countries have varying levels of corporate tax. By setting up abroad a company may be able to reduce its tax bill. 4) To overcome trade barriers- some countries are protectionist and will only let overseas companies by offering them financial incentives. There are literally thousands of multinationals across the globe.

Characteristics of Multinationals

MNCs will always look out for opportunities. They carry out risk analysis and send their personal to learn and understand the business climate. They develop expertise understanding the culture, politics, economy and economy and legal aspects of the country that they are planning to

enter. The essential element that distinguishes the true multinational is its commitment to manufacturing, marketing, developing R & D, and financing opportunities throughout the world, rather than just thinking of the domestic situation.

Characteristics of MNCs are:

1. **Mode of Transfer:** The MNC has considerable freedom in selecting the financial channel through which funds or profits or both are moved. e.g. patents and trademarks can be sold outright or transferred in return through contractual binding on royalty payments. Similarly, the MNC can move profits and cash from one unit to another by adjusting transfer prices on royalty payments. Similarly, the MNC can move profits and cash from one unit to another by adjusting transfer prices on intercompany sales and purchases of goods and services. MNCs can use these various channels, singly or in combination, to transfer funds internationally, depending on the specific circumstances encountered.
2. **Value for Money:** By shifting profits from high-tax to low-tax nations, MNCs can reduce their global tax payments. They can transfer funds among their various units, which allow them to circumvent currency controls and other regulations and tap previously inaccessible investment and financing opportunities.
3. **Flexibility:** MNCs can extend trade credit to their other subsidiaries through open account terms, from 90 to 180 days. This gives a major leverage to financial status. In addition, the timing for payment of fees and royalties may be modified when all parties to the agreement are related. To run a new and potentially profitable multinational, a good understanding of multinational strategies is necessary. The three broad categories of multinationals are-

3.1 Innovation Based Multinationals: Companies such as IBM, Philips and Sony create barriers to entry for others by continually introducing new products and differentiating existing ones. Both domestically and international companies in this category spend large amounts on R&D and have ratio of technical to factory personnel. Their products are typically designed to fill a need perceived locally that often exists abroad as well.

3.2 The Mature Multinationals: The primary approach in such companies is the presence of economies of scale. It exists whenever there is an increase in the scale of production, marketing and distribution costs could be increased in order to retain the existing position or more aggressive. The existence of economies of scale means there are inherent cost advantages of being large. The more significant these economies of scale are, the greater will be the cost disadvantage faced by a new entrant in the same field in a given market's) Reduction in promotion cost: Some companies like Coca-Cola and Proctor and Gamble take advantage of the facts that potential entrants are wary of the high costs involved in advertising and marketing a new product. Such firms are exploiting the premium associated with their strong brand names. Cost advantage through Multiple Activities: Other

companies take advantage of economies of scope which exists whenever some investment can support multi-profitable activities which are less expensive. For example, TVS has increased its investment in small engine technology in the automobile, motorcycle, marine engine and generator business.

- 3.3 **The Senecent Multinationals:** There are some product lines where the competitive advantage is very fast. For example Crown Cork & Seal, the Philadelphia-based maker of bottle tops and cans reacted to the slowing of growth and heightened competition in business in the United States by expanding overseas, its set up subsidiaries in such countries as Thailand, Malaysia and Peru, estimating correctly that in these developing and urbanizing societies, people would eventually switch from home grown produce to food in cans and drinks in bottles.

Causes for Growing of MNCs:

1. **Non-Transferable Knowledge:** An MNC sells its knowledge in the form of patent rights and license foreign producer. This relieves the MNC of the need to make foreign direct investment. Sometimes an MNC that has a Production Process or Product Patent can make a larger profit by carrying out the production in a foreign country itself. The reason for this is that some kinds of knowledge cannot be sold and which are the result of years of experience.
2. **Exploiting Reputations:** MNCs invest to exploit their reputation rather than protect their reputation can attract deposits. If the goodwill is established the bank can expand and built a strong customer base. Quality service to a large number of customers is bound to ensure success. For this there is tremendous growth of foreign banks such as Citibanks, Standard Chartered in India.
3. **Protecting Reputations:** Products develop a good or bad name which transcends international boundaries. It would be very difficult for an MNC to protect in reputation if a foreign license does an inferior job. So MNCs prefer to invest in a country rather than licensing and transfer expertise to ensure the maintenance of their good name.
4. **Protecting Secrecy:** MNCs prefer direct investment, rather than granting a license to a foreign company if protecting the secrecy of the product is important. While it may be true that a license will take precautions to protect patent rights, it is equally true that it may be less conscientious than the original owner of the patent.
5. **Availability of capital:** The fact that MNCs have access to capital markets has been advocated as another reason why firms themselves moved abroad. A firm operating in only one country does not have the same access to cheaper FUNDS AS A LARGER FIRM. However, this argument, which has been put forward for the growth of MNCs has been rejected by many critics.

6. **Product Life Cycle Hypothesis:** To maintain the growth of profits a corporation must venture abroad where markets are not so well penetrated and where there is perhaps less competition. This hypothesis perfectly explains the growth of American MNCs in other countries where they can fully exploit all the stages of the life cycle of a product. A prime example would be Gillette, which has revolutionized the shaving systems industry.
7. **Avoiding Tariffs and Quotas:** MNCs prefer to invest directly in a country in order to avoid import tariffs and quotas that the firm may have to face if it produces the goods at home and ship them. A number of foreign automobile and truck producers opened plants in the US to avoid restrictions on selling foreign made cars.
8. **Strategic FDI:** The strategic motive for making investments has been advocated as another reason for the growth of MNCs. MNCs enter foreign markets to protect their market share when this is being threatened by the potential entry of indigenous firms or multinationals from other countries.
9. **Symbiotic Relationship:** Some firms have followed clients who have made direct investment. This is especially true in case of accountancy and consulting firms. Large US accounting firms, which know the parent companies' special needs and practices, have opened offices in countries where their clients have opened subsidiaries. They have an advantage over local firms because of their knowledge of the parent company and because the client may prefer to engage only one firm in order to reduce the number of people with access to sensitive information.

List of Multinationals Corporations

Honda, HSBC, Huawei, Airbus, Aditya Birla, Hutchison Wham Limited, Apple Computer, IBM, AOL, ITC, Infosys, AXA, BASF, Bayer, Billabong, BMW, Boeing, Bombardier, BP, Jardine Matheson, Kripsy Kreme, Kyocera, LG, Maxis, Microsoft, Monsanto, Master foods, Cadbury, Citigroup, Coca Cola Co., Dell, Dutch East India Company, EA, Ernst & Young, Exxon, Epson, Ford, General Electric, Nat West, Nike, Inc. Nissan, Nokia, Nortel Networks, Pepsi Co Pfizer Philips, Proctor & Gamble, Regus, General Motors, Google, Halliburton, Hearst Corporation, Hewlett Packard (HP), Hindustan Computers Limited, Hitachi, Toshiba, Toyota, Videocon, Vodafone, Wal-Mart Stores Inc., Shell, Samsung, Siemens, Sony, Tata Consultancy, Wipro Ltd., Xerox, Yahoo, Yakult.

Risk of MNCs

When making over direct investment it is necessary to allow for risk due to investments being made in a foreign country. Country risk is one of the special issues faced by MNCs when investing abroad. It involves the possibility of losses due to country-specific economic, political and social events. Among the country risks that are faced by MNCs are those related to the local economy, those due to possibility of confiscation i.e. Government take over without any compensation and those due to expropriation i.e. Government takeover with compensation which at times can

be generous. Moreover, there are the political & social risks of war, revolutions and insurrections. There are also risks of currency non-convertibility and restriction the repatriation of income. International magazines like Euro Money and the Economist regularly conduct country risk evaluations in order to facilitate MNCs.

Methods of Reducing Risk:

1. **Controlling important elements of Corporate Operations:** Most of the MNCs try to prevent operations in developing countries by other local entities without their cooperation. This can be achieved if the company maintains control of elements of operations. For example, food and soft drink manufacturers keep their special ingredients secret. Automobile companies may produce vital parts such as engines in some other country and refuse to supply these parts if their operations are seized.
2. **Programmed Stages of Planned Disinvestment:** There is an alternative technique to handover ownership and control to local people in future. This is sometimes a requirement of the host government to involve themselves in stages.
3. **Joint Ventures:** Instead of promising shared ownership in future, an alternative technique for reducing the risk of expropriation is to move share ownership with private or official partners in the host country from the very beginning. Such shared ownerships, known as joint ventures rely on the reluctance of local partners, if private to accept the interference of their own Government as a means of reducing expropriation. Multiple joint ventures in different countries reduce the risk of expropriation, even if there is no local participation. If the government of one country does expropriate the business, it faces the risk of being isolated simultaneously by numerous foreign powers.

Problems of MNCs: MNCs may impose on their host governments to the advantages of their own shareholders and disadvantages of citizens. It can be difficult to manage economics in which MNCs have extensive investments. Since MNCs often have ready access to external sources of finance, they can blunt monetary policy. When the Government wishes to constrain any economic activity, MNCs may nevertheless expand through foreign borrowing. Similarly, efforts at economic expansion may be frustrated if MNCs move funds abroad in search of advantages elsewhere. MNCs can also shift profits to reduce their total tax burden by showing larger profits in countries with lower tax rates citizens and shareholders in the country of shareholders in the past. Similarly, although any firm can frustrate plans for economic expansion due to integrated financial markets, MNCs are likely to take advantage of any opportunity to gain profits.

Multinational Corporations in India: MNCs have been operating in India even prior to Independence, like Singer, Parry, Philips, Unit-Lever, Proctor and Gamble. They either operated in the form of subsidiaries or entered into collaboration with Indian companies involving sale of technology as well as use of foreign brand names for the final products. The entry of MNCs in India was controlled by existing industrial policy statements, MRPT Act, and

FERA. In the pre-reform period, the operations of MNCs in India were restricted. The New Industrial Policy 1991 removed the restrictions of entry to MNCs through various concessions. The amendment of FERA in 1993 provided further concession to MNCs in India. Presently, MNCs in India can increase foreign equity up to 50 percent by remittances in foreign exchange in some high priority areas. MNCs are free to own a majority share in equity in most products and they transfer shares from one non-resident to another non-resident & borrow money or accept deposit without the permission of Reserve Bank of India. MNCs disinvest equity at market rates on stock exchanges and go fully foreign equity through the automatic route in specified sectors & deal in immovable properties in India. MNCs also carry on in India activities of trading, commercial or industrial except a very small negative list. Thus, MNCs have been placed at par with Indian companies and there are no special restrictions under FERA.

1. Regulatory and Legal Problems Faced by MNC Companies in India: MNC companies in India face legal problems. India has a complex tax structure. This means that MNC companies in India have to deal with a lot of rules and regulations when it comes to taxes. For example, there have been changes in GST and retrospective tax like the Vodafone case, which was ₹22,000 Cr. This makes it hard for MNC companies in India to comply with all the rules.
2. MNC companies in India also have to deal with red tape. This means that they need to get a lot of clearances before they can start operating. In fact, they need 30 or more clearances, which can take an average of 6-18 months to get. This is for things like land, environment and factory licenses. The reality on the ground is very different from the ease of doing business that the government talks about.
3. Another problem that MNC companies in India face is policy uncertainty. The government can suddenly ban things like it did with apps in 2020^[39] or change rules about crypto tax or e-commerce FDI rules. These sudden changes can make it hard for MNC companies in India to plan for the term. Labour laws are also a problem for MNC companies in India. There are than 40 central laws and over 100 state laws that they have to deal with. This makes it hard for them to hire and fire workers. There are also issues with trade unions in states like Kerala and West Bengal.
4. Judicial delays are another issue that MNC companies in India face. It can take an average of 1445 days to enforce a contract. India ranks 163 out of 190 in the World Banks 2020^[9] report. There have been cases like the Nokia tax dispute that have dragged on for 7 years. Market and Competition Problems Faced by MNC Companies in India. MNC companies in India also face market and competition problems. One of the problems is that Indian consumers are very price sensitive. They want low-cost products, which can make it hard for MNC companies in India to compete. For example, companies like Harley Davidson and Ford had to exit the market because their priced models were not selling.
5. Another problem is that there is local competition. Companies like Patanjali and Micromax are able to compete with MNC companies in India because they understand the market better and have backing. Distribution is also a challenge for MNC companies in India. It is hard to reach areas, where 70% of Indias population lives. The kirana stores in these areas are not organized, which makes it hard for MNC companies in India to get their products to them. The last-mile logistics are also very costly. Counterfeit products are another problem that MNC companies in India face. 25% Of the fast-moving consumer goods market and 20% of the pharmaceutical market are fake. This costs companies like HUL and P&G around ₹5000 Cr per year. The weak intellectual property enforcement in India makes it hard to stop this.
6. Cultural and Operational Problems Faced by MNC Companies in India. MNC companies in India also face operational problems. One of the problems is cultural mismatch. For example, Walmart failed in India because it did not understand the culture of bargaining. Kelloggs also failed initially because Indians prefer to eat breakfast.
7. Language and diversity are also a challenge for MNC companies in India. There are 22 languages and thousands of dialects which means that advertisements and packaging need to be localized. A one-size-fits-all approach does not work in India. Talent attrition is another problem that MNC companies in India face. The IT and BPO sectors have an attrition rate of 15-25%, which's very high. This is because employees are demanding salaries and are being poached by startups. Loyalty is also very low.
8. There is also a clash between the work culture of MNC companies in India and the Indian culture of "jugaad". There is confusion between hierarchy and flat structure and between festival holidays and global deadlines. Infrastructure and Supply Chain Problems Faced by MNC Companies in India. MNC companies in India also face infrastructure and supply chain problems.
9. One of the problems is poor infrastructure. There are power cuts, bad roads and port delays which increase costs by 10-15%. There is a gap between the "Make in India" initiative and the reality on the ground. Supply chain disruption is another problem that MNC companies in India face. For example, the COVID-19 pandemic in 2020^[23] and the farmers protest blocked highways and affected supply chains. The issues on the China border also make it risky to source materials from China.
10. Raw material costs are also a challenge for MNC companies in India. There is an import duty on components and the PLI scheme is helpful. The quality of MSME suppliers is not reliable. Political and Social Problems Faced by MNC Companies in India. MNC companies in India also face social problems. Protectionism and nationalism are on the rise in India with the "Vocal for Local" and "Atmanirbhar Bharat" initiatives. The government prefers firms, which can make it hard for MNC companies in India to operate. Chinese MNC companies in India have faced heat after the Galwan incident in 2020^[23].
11. Activism and NGOs are also a challenge for MNC companies in India. For example, the Vedanta Sterlite plant was shut down in Tamil Nadu due to protests. The Posco project in Odisha had to exit after 12 years due to protests. The ESG pressures on MNC companies in India are very high. Land acquisition is another

problem that MNC companies in India face. Farmers protests have made it hard for companies to acquire land. For example, the Tata Nano project in Singur had to be abandoned due to protests resulting in a loss of ₹1500 Cr. There are also issues with land ceiling and tribal land under the PESA Act.

12. CSR compulsion is also a challenge for MNC companies in India. They have to spend 2% of their profit on CSR activities under the Companies Act 2013 [38]. Many MNC companies in India see this as a tax than a strategy. Financial and Forex Problems Faced by MNC Companies in India. MNC companies in India also face forex problems.
13. Currency volatility is a challenge for MNC companies in India. The rupee depreciation from 83 to 86 per dollar has increased import costs. Affected profit repatriation. Hedging is also very expensive. Profit repatriation limits are another problem that MNC companies in India face. The RBI has rules on dividend and royalty payments. There is scrutiny on transfer pricing. Cases like Cairn and Vodafone have been in the news for tax disputes. The high cost of capital is also a challenge for MNC companies in India. Interest rates are between 9-12%, which's much higher than the 2-4% in the US and EU. This makes it hard for MNC companies in India to make projects viable compared to countries like Vietnam.
14. Technology and Data Problems Faced by MNC Companies in India. MNC companies in India also face technology and data problems. Data localization is a challenge for MNC companies in India. The RBI and MeitY have rules that require companies to store data in India, which increases costs for companies like Google, Amazon and Meta. There is also a compliance burden for the PDP Bill.
15. Cybersecurity risk is another problem that MNC companies in India face. There is a rising threat of ransomware and data leaks and India is among the 3 countries globally for cybersecurity risks. This can lead to reputation loss for MNC companies in India. Digital divide is also a challenge for MNC companies in India. 50% of rural India is still not digital, which makes it hard for e-commerce and fintech apps to penetrate the market fully. Exit and Closure Problems Faced by MNC Companies in India. MNC companies in India also face exit and closure problems. Difficult exit is a challenge for MNC companies in India. Companies like Ford, GM and Harley Davidson have lost billions of dollars when they tried to exit the market. It is hard to sell factories and fire workers due to the ID Act 1947. Brand damage on exit is also a problem that MNC companies in India face. There is a narrative that MNC companies in India "loot and leave" which can hurt their brand and make it hard for them to enter the market again in the future. The government is also unhappy, with this narrative.

Solutions for Regulatory and Legal Problems:

1. **Single Window System:** Use PM GatiShakti and Invest India portal. Assign an officer to track over 30 clearances and prevent delays.
2. **Tax Certainty:** Sign agreements with CBDT to avoid tax issues. Get help from GST experts. Avoid sectors with retrospective tax. Keep 20% for compliance costs.

3. **Policy Advocacy:** Join groups like CII. Ficci to influence policy changes. For example, Amazon and Flipkart changed FDI rules through associations.
4. **Labour Law Compliance:** Hire experts to help with labour laws. Use fixed-term employment and trainees. Set up in SEZ/MIHAN for norms.
5. **Arbitration Clause:** Include Singapore or UK arbitration in contracts. It's faster than courts. Vodafone won \$2B through Hague arbitration.

Solutions for Market and Competition Problems:

1. **Glocalization Strategy:** Price products for India. For example, Suzuki Alto at ₹3L was successful while Ford at ₹15L failed. HULs ₹1 shampoo sachet captured 50% of the market.
2. **Partner with Locals:** Team up with businesses like Walmart and Flipkart or Google and Jio. Local partners handle distribution, government relations and culture.
3. **Build Distribution:** Use HULs Shakti Ammas model, where 1 lakh rural women sell door-to-door. Partner with ITC e-Choupal and CSC centers.
4. **Fight Counterfeits:** Use holograms, QR codes and blockchain. Partner with police. Amazons Project Zero protects brands.
5. **Product Localization:** Adapt products for India like Kellogg's cornflakes and masala oats. McDonalds McAloo Tikki accounts for 40% of sales.

Solutions for Cultural and Operational Problems:

1. **Hire Local Leadership:** CEOs, HR and marketing heads should be Indian. Unilevers Sanjiv Mehta and Hyundais Unsoo Kim are examples. Understand festivals and hierarchy.
2. **Regional Customization:** Use 22 languages for packaging and ads. Netflix India offers content in Tamil and Telugu. Amazon has voice search in Hindi.
3. **Reduce Attrition:** Need Offer ESOPs, fast promotions and global exposure. Microsoft Indias attrition is under 8% due to learning budgets and hybrid work.
4. **Festival Calendar Planning:** Announce Diwali and Holi holidays early. Avoid calls on those days. Respect family time to build loyalty.
5. **CSR as Strategy:** Invest in water and skill development near factories like Maruti in Gujarat. This reduces protests.

Solutions for Infrastructure and Supply Chain:

1. **Choose Right Location:** Cluster industries by location. For example, autos in Pune or Chennai and electronics in Noida or Tamil Nadu. Be near ports and vendors. Use PLI scheme benefits.
2. **China+1 Sourcing:** Source 70% from India and 30% from Vietnam or Mexico for com China plus one sourcing is an idea. This means we should get seventy percent of the things we need from India and thirty percent from Vietnam or Mexico. We should not get everything from one country. For example, Apple is now making fourteen percent of iPhones in India. This is a thing because it helps Apple not rely on just one place for components. China plus one sourcing is the way to go for companies, like Apple. Avoid relying on one country. Apple now makes 14% of iPhones in India.

3. **Captive Power and Logistics:** Set up plants like Honda in Rajasthan.
4. **MSME Vendor Development:** Train suppliers for two years. Follow Toyota and Maruti vendor park model for quality and cost control.

Solutions for Social Problems:

1. **Atmanirbhar Alignment:** Use the "Make in India" brand. Export from India. GE and Samsung export ₹1 lakh crore from India, which the government supports.
2. **Proactive Stakeholder Management:** Conduct SIA and Gram Sabha consent before acquiring land. Tatas Mundra project provided jobs and a hospital before starting the factory.
3. **Land Lease Model:** Lease land from government agencies of buying in tribal areas. This avoids PESA violations. Renewable 90-year leases are safe.
4. **Communication:** Publish sustainability reports. Tata Steel gained trust through CSR and transparency.

Solutions for Financial and Forex Problems:

1. **Natural Hedging:** Earn dollars and spend rupees. Export 30% of production. Hyundai India exports 25% of its cars balancing currency risk.
2. **Transfer Pricing Safe:** Follow OECD guidelines. Keep documentation. Use APA with CBDT for five years to avoid litigation.
3. **Local Financing:** Use ECB and rupee bonds. The interest rate is 7-8% versus 2% for parents. Reinvest profits of repatriating fully.

Solutions for Technology and Data Problems:

1. **Local Data Centers:** AWS, Google and Microsoft have built data centers in Mumbai and Hyderabad. Comply with RBI data localization.
2. **Bharat Stack Integration:** Use UPI, Aadhaar and ONDC. WhatsApp Pay and Google Pay succeeded due to UPI. Don't resist technology.
3. **Cybersecurity Investment:** Follow ISO 27001 and CERT-In guidelines. Hire a CISO in India. A single breach can damage a brand, like Dominos in 2021 [32].

Solutions for Exit and Long-term Strategy:

1. **Phased Entry:** Start with a marketing office, a JV followed by a factory and finally 100% ownership. Test the market for three years. IKEA took 12 years to open its Delhi store.
2. **Exit Clause in Land Lease:** Include a "government buyback" clause if policy changes. ReNew Power did this for farms.
3. **Patience and Long Term:** India rewards players who stay for 10 years. Suzuki has 50% market share after 40 years. Hyundai has 20% after 25 years. Don't expect results, like Chinas.

Recommendations for MNC Companies

Market Strategy

1. The best way to start is to follow the "Test-Learn-Scale" Model. This means you start by importing and trading for a year. We can think about joining hands with a company. Finally, you can start manufacturing on your own. Do not try to do everything at like Ford did. For example, IKEA spent twelve years studying India before they opened their store. Now they are making a profit.

2. We should also adopt a "Bharat-First" Product Strategy. This means we design our products for the market. Most people in India do not have a lot of money so you should keep your prices low. Seventy percent of Indians earn less than twenty-five thousand rupees per month. So, you should start by launching cheap products like one-rupee sachets, three lakh rupee cars and ten-thousand-rupee phones. We can launch expensive products later. Companies like Suzuki and Xiaomi have been successful in India by doing this.
3. When we are choosing a location for your business you should think about setting up in a place that's good for exports. For example, we can set up in the Chennai Auto Cluster, the Noida Electronics Hub or the Bengaluru Tech Hub. We should try to export least twenty-five percent of what you produce. This will make the government happy. It will also help you if the value of the rupee goes down. For example, Samsung has a factory in Noida that exports a lot of mobile phones.

Regulatory and Government Relations

1. Government should appoint a Chief Compliance Officer who's just for India. This person should be separate from your team. We should also budget one percent of your revenue for liaison teams. This is cheaper than getting into trouble with the law like Vodafone did.
2. Government should use the PLI Scheme and state incentives and should talk to at least three states before you decide where to set up your business. States like Tamil Nadu, Gujarat and Uttar Pradesh offer a lot of incentives like land, power and tax breaks. Do not accept the offer that you get.
3. Government should join industry bodies like the CII, FICCI, USIBC and AMCHAM soon as possible. These are the places where policies are made. Companies like Amazon and Flipkart have been able to change the rules by lobbying. You should be at the table when these decisions are being made.

Localization

1. Government should make sure that your CEO and at least eighty percent of your leadership team are Indian. We can have a CFO but your CEO, HR and marketing team should be Indian. They understand the market and culture better. They know the importance of other festivals and they know how to balance profit with social responsibility.
2. Government should build a distribution network that includes stores. There are thirteen million stores in India and you cannot compete with them. Instead, we should partner with them using platforms like Udaan and JioMart. Companies like HUL have been successful by partnering with stores.
3. When it comes to land, we should lease it of buying it. This is especially true in areas. We should lease the land from the government for ninety years. We should also get the consent of the community and do some corporate social responsibility activities. This will help you avoid problems like the one that Tata Nano faced in Singur.

Culture

1. Government should give your employees stock options and the chance to work in other countries for a few months. This will help you retain your employees. The attrition rate in India is very high. Companies like Microsoft have been able to reduce it by offering these benefits.
2. We should respect the festival calendar in India and should not have calls on Diwali, Holi and Eid. We should declare your holidays six months in advance. This will help you build a team.
3. We should also train your vendors and can set up a vendor park like Toyota did. We can train your vendors for two years to improve their quality. This may cost you more in the beginning. It will help you in the long run.

Risk Management

1. We should localize your data. Comply with the laws from day one and can build a data center in Mumbai or Hyderabad like AWS did. We should not wait for the RBI to send you a notice. This may cost you five hundred crore rupees. It will help you avoid problems like the ones that Chinese apps faced.
2. We should also have a hedge against forex risks. If we import sixty percent of your products you should try to export least forty percent. Companies like Hyundai have been able to balance their imports and exports.
3. Government should have an exit plan in your lease agreement and should have a clause that allows the government to buy back the land if the policies change. Companies like ReNew Power have done this for their projects. We should avoid getting into a situation like the one that Ford faced when they had to shut down their plant.

Recommendations for Government of India initiatives

1. Government should have a window for all clearances and should have a portal where companies can apply for all their clearances and you should give them a deemed approval within thirty days. If the department does not reply within thirty days the application should be considered approved. This is like the model that Gujarat has implemented.
2. Government should have a tax stability clause and should give a ten-year tax rate lock-in for companies that invest than five hundred million dollars. Government should not change the tax rates retrospectively. This will help restore the trust of investors after the Vodafone and Cairn cases.
3. Government should implement the four labour codes fully and should give companies the flexibility to hire and fire employees in export units. Government should also have an unemployment insurance scheme. Countries like Vietnam have been able to attract foreign investment by having more flexible labour laws.
4. Government should have commercial courts and should have a deadline of six months to resolve contract cases. This is like the model that Singapore has implemented. The current system is very slow. It takes 1445 days to resolve a case. This is killing the confidence of investors.
5. Government should have a land bank for MNCs and should have pre-PESA-cleared and litigation-free land

with power and road connectivity. This will make it easy for companies to set up their businesses. The Tamil Nadu Sipcot model is an example of this.

Recommendations for Indian Partners/Suppliers

1. We should upgrade to quality standards. We should get certifications like IATF 16949 and ISO 9001. MNCs are willing to pay a premium for suppliers. We should not just compete on cost and also on quality.
2. We should be transparent in your pricing. We should not have MRP and you should not hide any costs. We should build a relationship of trust, with your customers. This will help you get business in the long run.
3. We should learn about compliance. We should know about GST, EHS and labour laws. MNCs audit their suppliers. If we fail the audit, you can lose a five-year contract.

Conclusion

The operations of MNCs in India have been opposed on many grounds. They are interested more on mergers and acquisitions and not on fresh projects. They supply second hand plant and machinery declared obsolete in their country. There are mainly profit oriented and have short term focus on quick profit & national interest and problems are generally ignored. They use expatriate management and personal rather than competitive Indian Management. Though they collect most of the capital from within the country, they have repatriated huge profits to their mother country. They make no effort to adopt an appropriate technology suitable to the needs. Moreover, transfer of technology proves very costly. They have raised very large part of their financial resources from within the country. They prefer to participate in the production of mass consumption and non-essential items and once an MNC gains foothold in a venture, it tries to increase its holding in order to become a majority shareholder.

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