

The Role of Multinational Corporations in Developing Countries

Faculty of Social
Sciences
University of Kelaniya
Sri Lanka

A.S. Adjumain

G. M. Henegedara

Abstract

Multinational corporations (MNCs) play a key role in shaping the global economy. Its powerful nature makes developing countries depend on its investments. Thereby, MNCs' ability to influence the economy, politics, and socio-cultural factors in developing countries, and its impact has largely been questioned. Although MNCs' role in developing countries has been heavily criticized, it is evident that developing countries are heavily dependent on such organisations.

The objective of this study is to examine the role of MNCs in developing countries, and whether it creates a positive or negative impact. It will take into consideration capital formulation, employment generation, and increased trade opportunities as indicators to analyse the role played by MNCs in developing countries.

This study adopts a qualitative, literature-assessing and case study method to study the role of MNCs in developing countries. This research consists of a literature review of MNCs, theories put forward in relation to MNCs, and the role and impact of MNCs in developing countries. It inspects in what roles MNCs contribute to the progress of developing countries by analyzing case studies, with special reference to the socio-economic role. It analyses whether the socio-economic role played by the MNC is positive or negative on a developing country. Finally, it reaches a conclusion and provides recommendations.

The findings disclose that MNCs have created a positive impact on developing countries in terms of a socio-economic role. The case study countries, Myanmar, Indonesia and India have been positively affected by MNCs in terms of capital formulation, employment generation, and increased trade opportunities. In the same manner, Sri Lanka as a developing country can be positively affected by MNCs in socio-economic development.

Keywords: MNCs, developing countries, socio-economic role, development

¹ Department of Economics, University of Kelaniya.

² Senior Lecturer, Department of Economics, University of Kelaniya.