GLOBALISATION AND THE INDIAN ECONOMY

Module-2/5

Interlinking Production across Countries

- MNCs set up production where-

1. It is close to market
2. Skilled and unskilled labour is available at low cost
3. Raw material is available at low cost
4. Infrastructure is good
5. Government policies are favourable

Investment and Foreign Investment

Money spent to buy assets such as land, building, machines and other equipments is called investment.

And when this investment is made by a MNC, it is called foreign investment.

Variety of ways in which MNCs are spreading their production and interacting with local producers

- By setting up partnership with local producers
- By buying local companies
- By using the local producers for supply

BY SETTING UP PARTNERSHIP WITH LOCAL PRODUCERS

- In such joint production local companies get two fold benefit-

1. MNCs bring money for additional benefit
2. MNCs might bring with them latest technology for production

By buying local companies

- This is the most common route for MNC investment.
- They buy local company and then use their capital and technology to expand production.
- MNCs with huge wealth can easily do so.

BY USING THE LOCAL PRODUCERS FOR SUPPLY

- MNCs place order for production with small producers.
- This is mostly seen in garment, footwear and sports items.
- The small producers supply the finished products to MNCs, which then sell these under their brand name.
- These MNCs have control over price, quality, delivery and labour conditions

- Thank you