



INVESTMENT OPPORTUNITIES IN INDIA: MNCs vs MSMEs

Dr. Mohsina Hayat

Guest Faculty, CMS, JMI, Delhi, India

Dr. Alqa Aziz

Former Assistant Professor, Saudi Electronic University, KSA, H-110, Batla House, Jamia Nagar, New Delhi-25

ABSTRACT

In the present scenario, business wants to invest in all-over the world through the Multinational corporation where companies move from domestic countries to foreign (rest) of the world for transacting the product and services. Various countries send their companies to sell and purchase the commodities due to its comparative advantage and bilateral economy system. India is always a favorable destination for traders as it's a fastest growing democratic economy that well-paid chances for all types of business. Although due to lack of capital and infrastructure, MSMEs are a vital source of economic growth in India. The investment opportunities of MNCs and MSMEs in India subject to discussion of the overview of MNCs and MSMEs, pros, and cons of MNCs and MSMEs of investment in countries, government incentive and investment opportunities in India along with a suggestion for MNCs and MSMEs development in the developing as well as in developing countries.

KEY WORDS: Multinational Corporation, Micro, Small, Medium enterprise, Foreign Direct Investment, International labour organisation

INTRODUCTION

According to ILO, "MNCs is a corporation whose management headquarters lies in the home Country and operates offices exist in the host countries." On the contrary MSMEs define by Ministry of India (MSMED) Act 2006, Manufacturing Enterprise engaged in manufacture or production of goods to any industry specified in the first schedule to the industries (Development and Regulation Act, 1951) or employing plant and machinery /services in the

process of value addition to find product having a distinct name or character or use along the investment limit from ten lakhs rupees to ten crore rupees.

GOALS OF MNCs VS MSMEs

MNCs and MSMEs are having various goals on the basis of which they come into existence. The aim of MNCs and MSMEs are based on the employment, location, development, distribution of wealth, mobilisation of resources and standard technology uses. Foreign exchange stability objective achieves only with increment in MNCs.

Table 1: MNCs and MSMEs Goals

Parameters	MNCs	MSMEs
Employment	To utilise host country's resources	To generate immediate and large-scale employment opportunities with relatively low investment
Region covered	To enhance the level of investment.	To encourage dispersal of industries to all over the country covering small towns, village and economically lagging regions.
Backward area	To reduce technology gap between the countries of the world	To bring backward area too in the mainstream of the national development
Regional development	To boost up the basic economic structure	To promote balanced regional development in the whole country
Distribution	To maximize shareholder wealth.	To ensure more equitable distribution of national income.
Resources mobilisation	To the optimum utilization of resources	To encourage effective mobilisation of country's untapped resources.
Standard	To boost up the basic economic structure	To improve the level of living of people in the country
Exchange stability	To be the reduction in foreign exchange gap	-

FEATURE OF MNCs VS MSMEs

Growing involvement of MNCs and MSMEs in revenue and employment generation leads the government to pay special attention to following features. The way of Controlling of companies matter, ownership pattern, the return of investment in the varied gestation period, operation areas,

Utilization of resources, the technique of production adopted, socio- economic condition, the way of influence the customers, quality of product and economic power are the basis characterising the different companies. Both kinds of Companies have different features under the same heads.

Table 2: MNCs & MSMEs features

Parameter	MNCs	MSMEs
Control	MNCs have a unity of control. MNCs control business activity through the head office located in home country and Management of branches operate within the policy framework of the parent corporation	MSMEs is a one-man show. Even in partner firm business activity is carried by one of the partner or director while other remains sleep.
Ownership	Ownership and manager are different. An MNC employs professionally trained managers to handle huge funds, advanced technology, and international business operations	Ownership and manager are same in taking business decision-making
Gestation period	Large	Return on Investment starts in the small period
Scope of operation	MNCs have production and marketing operations in several countries; operating through a network of branches, subsidiaries, and affiliates in host countries.	It covers local and regional demands
Resources	It uses mostly host resources	It uses indigenous resources and establishes nearby the availability of resources
Technique of production	MNC has at its command advanced and sophisticated technology. It employs capital-intensive technology in manufacturing and marketing.	It uses more Labour-intensive technique in manufacturing and marketing
Rural enterprise	It is based on advanced technology and urbanisation	MSMEs are decentralised and dispersed in the rural area and prevent people in rural area
Socio-economics conditions	MNCs adapt host country's socio-economics	MSMEs are highly reactive, receptive and flexible to adapt change i.e. introduction of new product, new method of production, new materials, new market etc
Output	MNCs have huge physical and financial assets that lead huge turnover (sales) of MNCs.	Small turnover to cover the local demand
Economic power	MNCs are powerful economic entities through constant mergers and acquisitions of companies, in host countries.	Lesser powerful economics entities
Advertisement and marketing	MNCs spend huge sums of money on advertising and marketing to secure international business.	MSMEs do not have a large sum of money to spend on advertisement.
Quality of Product	A MNC has to compete on the world level on the basis of special attention to the quality of its products.	Quality of Product is less efficient

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ACHIEVEMENT OF MNCs and MSMEs in INDIA

MNCs had played a successful role in India since last 25 years. According to Bain analysis, revenue generates from the MNCs reflects 18% compound annual rate which is faster than the overall economy. In the 1990s, mostly fast moving

consumer goods and automobiles MNCs enter in India with 40% market share. E.g. HUL and Maruti Suzuki respectively. But after liberalisation and in 2014, largely consumer durables and technology-based MNCs predominant. E.g Maruti & Samsung account 5% of total MNCs revenue and 4% hold by HUL.

Union Budget 2016, a survey has found that the youth's desire to work in startups has increased from 8% to 14%. While half of the respondents conveyed their intention to start their own company, a marginal ¼ students actually didn't have any idea as to how to take the ideas forward. Therefore, a majority of students looking for stable job opportunities would want to work with an MNC or some SME. MNCs generates revenue in various field i.e automobile and auxiliaries (28.55%), FMCG (8.60%), capital goods (8.63%), chemicals (4.15%), health-care (3.06%), consumer durables (17.86%),

IT (8.60%) and other (20.74%). Micro, Small and Medium Enterprises (MSME) sector is one of the still untapped high growth segments in India and an essential partner for achieving socio-economic growth. MSMEs, which are spread across both urban and rural areas of the country, mostly form part of the unorganized sector. MSMEs plan to consist of 51 million units and provides employment to over 117 million persons. The sector contributes 7% to India's GDP while accounting for 45% of the total manufacturing output and 40% of the exports from India.

Table 3: Number of MNCs and MSMEs operating in India

Year	Number of MNCs	Number of MSMEs
1991	197	-
2001	559	361.76
2011	890	428.73
2014	3306/4170 (active)	510.57
2017	3380/4625 (active)	-

Annual report of corporate affair 2017, annual report of MSMEs 2016-17(as 4th CSO)

This table explores both MNCs and MSMEs are increasing with good potential. Although MNCs progress is faster than MSMEs. Government targets 51.1 million for

that 36.2 million MSMEs registered or unregistered establish in 2017.

Table 4: Revenue generated in MNCs

Company	1994	2014
Automobile and ancillaries	30.02	28.55
FMCG	31.37	8.60
Capital goods	10.13	8.63
Chemicals	7.21	4.15
Health-care	10.49	3.06
Consumer durables	-	17.68
IT	-	8.60
Others	10.78	20.74

Annual report of MSMEs 2016-17(as 4th CSO)

The above table reflects us MNCs contribution progressive in nature in automobile and ancillaries, consumer

durables goods which are followed by IT, FMCG, capital goods industries.

Table 5: Share of MSMEs in GDP and Employment

Year	Share of GDP	Projected growth in Employment
2011-12	29.97	1011.69
2012-13	30.40	1061.40
2013-14	30.64	1114.29
2014-15	30.74	1171.32

Annual report of MSMEs 2016-17(as 4th CSO)

This table reveals increasing share of the GDP through the MSMEs. MSMEs are replacing agriculture sector in India in term GDP share or to enhance employment generation.

SIGNIFICANCE OF MNCs & MSME

MNCs in India leads think Global, Act local, According to Zinnov, R & D centers have brought product at higher maturity to India as they see India as a destination not only for resources access but also for market access.

MNCs are doing more than just providing product and service. MNCs convey the core values i.e. quality, guarantee, premium, features and innovation which helps them build a

strong corporate identity in India and attract key talent. Shri Jyoti Scindia tells India talent pool and fast-growing market offer a unique opportunity

India is still suffering from the problem of infrastructure, unskilled labour, improper linkage between the market and institutional credit challenges in flow both at National as well as international. MSME is an engine of growth up growing economy. Now a day approximately 50 million people get an opportunity to be employed in MSMEs. MSMEs can boost up manufacturing capabilities, reducing disparity among the region, equal distribution of wealth increase share in GDP growth by 8%. It echoes MSMEs are the backbone of Indian economy.

Table 6: Significance OF MNCs VS MSMEs in India

Parameter	MNCs	MSMEs
Capital	India suffers from the problem of capital deficiency which solves by MNCs who comes with non- debt capital inflows. By this MNCs creates a positive balance of Payment and growth in GDP	It creates with low capital and creates huge employment opportunities i.e. India produce 1.2 million graduate on yearly basis. (mostly unskilled)
Sectorial contribution	MNCs generate revenue in mostly in (28.55%) automobile and ancillaries followed by consumer durables goods (17.68%)	MSMEs provide semi-finished and auxiliary product to MNCs. Indian MSMEs contributes 40% in export sector and after GST, it contributes by 11%.
Wealth distribution	MNCs investment act as a multiplier in generating income and employment MNCs improve foreign exchange position by reducing foreign exchange earning of both current and capital account	India is the country that facing unequal wealth distribution i.e. about 50% of the wealth in India is owned by just 100 people. Government adopt inclusive growth through MSMEs
Labour	MNCs contribute best of the world in term of managerial skill, HRM, financial controls advertising and operation strategies at the international standard	MSMEs reflects less labour requirement, no need of highly skilled labour and low indirect expenses by the other
Decision- making	MNCs have appointed skill manager to take the best decision	MSMEs start with limited resources and capital where owner have the full power of decision- making in more easy and efficient manner. It is a single-handed unit
Manufacturing unit	MNCs helps in transformation of advanced technology from developed to developing countries to enhance quality & productivity of the output. Which helps in skill development of people at international level	Dream of Make in India is initiatives on the basis of MSMEs development
Quality	MNCs establish competition in the economy of host country which reduces the price of product, improve quality etc.	MSMEs start competing with the new world that improves the quality etc.
Infrastructure	MNCs invested in infrastructure development which is the basic need of India	MSMEs suffer due to the lacking of infrastructure development

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CHALLENGES MNCs VS MSMEs

According to RBI working rehabilitation of sick MSME finds easy and timely access to credit is a crucial factor to development and growth of enterprises. Government RBI policy acts as constrained. MNCs need a cost of starting the business is astronomical and procedure involved can be daunting without local knowledge. There is 12 procedure (27 days) need to complete for starting the business.

MSMEs suffer from poor marketing linkages due to inadequate Government support, infrastructure and high procurement cost and deficiency to fulfill to supply chain. MNCs face 34 procedure of 196 days to get the permission of construction and getting electricity connection is further daunting MNCs registering requires legal work and substantial charges.

MSMEs suffer from non-availability of skilled workforce i.e. manager at affordable cost unskilled manager hindrance the growth of the enterprise. MNCs faces lack of local knowledge, culture etc.

India attracts MNCs but According to World Bank, IFC 2013, India is 23rd economy for getting credit. SEBI make

protection law that worse Indian condition in the world for the ability to enforce a contract i.e. 1420 day. MNCs is focusing various kinds of taxes, bureaucrats, long list of document, import & export policy etc.

MSMEs suffer from less productivity due to the use of less advanced technology. Price sensitivity is a big challenge because of Indian customer behaviour towards the brand. They are not loyal to the brand in front of pricing.

POLICY AND INITIATIVE OF MNCs

MNCs is a non-debt financial resource for economic development. Govt. of India has taken some new initiative to boost the economic growth via MNCs. According to world investment report 2016, India ranks 10th in FDI inflows i.e. 44 billion dollars. Govt. introduce competent authorities who are empowered to grant Govt. approval for FDI in single brand & food product retail trading and financial services. Standard operating procedure (SOP) is introduced to process FDI proposals. Time i.e. maximum 10 weeks has set for approval of FDI. Foreign investment promotion board replaced with foreign investment facilitation portal (FIFP) a new administrative body to facilitate FDI applicants. Automatic route and prior approval required are

two ways to received FDI in India. MSMEs need the various initiative for the development i.e. SIDBI launches quasi-equity soft loan for MSMEs to meet its debt-equity ratio and growth. PMEGP is credit link subsidy programme to create self-employment opportunities (2016). SFURTI is a scheme to enhance the marketability of product with design interventions improved packaging and infrastructure (2016). Ministry introduce revival and rehabilitation scheme to help combat the financial obstacles that MSMEs (2015). TADF introduce to funding specific to technology acquisition and development of clean and green technologies. Reduction in income tax upto to 25% for companies having annual turnover INR 50cr. ASPIRE introduce to set up a network of technology and incubation centers. KITES establish to support MSMEs start-up in international business. UAM develops to register enterprise online in one-page entry through the mobile app. Skill development school establish for skill youth.

CONCLUSION

Now these days, every company is facing complex and highly competitive environment (Paul & Chakraborty, 2014). Therefore, maintaining the level performance is of quite important for long-term survival of the organisation. Many studies opined that after two decades of liberalisation, Indian firm are under performance compare to their foreign partners.

When an economy closed economy, opens its door to foreign investors many changes take place in every front. MNC's comes with oodles of money, state of art technology, new philosophy, practices, and culture etc that imposed challenges on the domestic firm to revised their philosophies according to them for surviving in the market. MNC's are the most active players of international business and centre of globalisation. MNC's cross of the border of their own countries and engages in production and service in many other nations through its subsidiaries by controlling the policies and operations. To level executive coordinates with head quarter and search for new other favourable conditions according to the availability of resources.

India is expected to emerge as one of the leading economies in the world over the next decade in the light of a positive political and economic scenario. The Micro, Small & Medium Enterprises (MSME) segment is expected to play a significant role in the emergence of the Indian economy. The development of this segment is extremely critical to meet the national imperatives of financial inclusion and generation of significant levels of employment across urban, urban and rural areas across the country. Further, it can nurture and support the development of new age entrepreneurs who have the potential to create globally competitive businesses from India. MSMEs is need of India economy with low capital investment, unskilled labour and labour intensive technique for production. It is the philosophy of generate self-employment among the people.

The growth of Indian economy depends on the both. MNCs and MSMEs are two pillars of same coins and act two side of one.

SUGGESTION

- MNCs need to create a roadmap to deliver result by balancing corporate discipline with a local entrepreneurship mindset and developing a local partnership. MSMEs need to develop corporate discipline in the favor of local consumer demand.
- MNCs make a long-term commitment to India although India facing always low ranks in World Bank ease of doing a business index. MSMEs make short-term commitment with less advanced technology according to incentives provide by local Government.
- MNCs modify their offering to suit the needs of Indian consumers. MSMEs modify their product to compete for the quality product of MNCs.
- MNCs have factor i.e. ability to adapt global, repeatable models to support local innovations. MSMEs have factor i.e adapt international standard, innovation and skill.
- MNCs need to influence their global scale which gives them the right to play and compete in the India market but needs to adapt locally to be able to win. MSMEs try to compete in the international market and fulfil the global demand.

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