MULTINATIONAL CORPORATIONS AND SOCIO-ECONOMIC DEVELOPMENT IN DEVELOPING COUNTRIES

Abanyam, Noah Lumun Ph.D
Department of Sociology,
Taraba State University, Jalingo. Taraba State, Nigeria
Email: noahlumun@gmail.com
&
Akinola Funmilola Aduke
Department of Sociology,
Federal University, Gashua Yobe State, Nigeria
Email: faakinola@yahoo.com
&
Dankano Edwe
Department of Sociology,
Taraba State University, Jalingo. Taraba State, Nigeria
Email: edweseh@gmail.com

Abstract
Multinational corporations (MNCs) are playing a prominent role in the socio-economic growth and development in many developing countries. However, despite this significant role their story of development is not told by all as it is widely speculated that multinational corporations are agents of exploitation. This study sought to investigate multinational corporations and socio-economic development in developing countries. Neoliberal and stakeholders theoretical approaches were used in the study. The study revealed that multinational corporations performed vital roles such as employment generation, improvement of infrastructural development, poverty alleviation, building competence and local skills of local workers. The study further revealed that highly paid skilled labour are not received by local workers, workers are exploited, profit repatriated, and out-model technologies are transferred and environments are polluted in most developing countries by multinational corporations. The study recommends that government of developing countries should initiate regulatory laws that can discourage multinational corporations from exploiting and engaging in policies that are not beneficial to developing countries. Moreso, developing countries should initiative economic policies that will attract multinational corporations to invest in their countries considering the significant benefit its citizens gained with regards to employment, poverty alleviation, economic growth and development.

Key Words: Multinational corporations, socio-economic development, stakeholders' model, developing countries

Introduction
Multinational Corporation can be defined as enterprise that engages in foreign direct investment (FDI) of which owns or, to some extent, controls value added activities in several countries (Mayrhofer & Prange, 2015). It is widely acknowledged that multinational corporations (MNCs) has become the key institution and engines of socio-economic development in developing countries or less developed countries (LDCs) (Ayesha, 2020; Chen, 2020; Prerna, 2020; Pettinger, 2019; Okon & Okon,

2018; Amusan, 2018; Ambibola & Dele, 2015; Worasinchai & Bechina, 2010). Multinational corporations have acquired great relevance in the academic world and in firm management in recent years (Aguilera-Caracuel, Guerreto-Villegas & Garcia-Sanchez, 2017). Majority of these corporations started their operations many decades back. Although, there are significant changes in their operations in recent times. Nizamuddin (2007) reveals that:

> Today, multinational corporations (MNCs) comprise a central place in the world economy. Before World War II, terms such as "multinational" or "transnational" were seldom used to describe international economic relations. Although, transnational entities like the British East India Company and Joint-Stock Enterprises Existed in the past, the expansion and proliferation of multinational agents is a recent phenomenon (p.1).

In an era where external assistance (development aid) to developing countries (DCs) has been declining due to the fact that the donors in developed countries have not been willing to part with a larger proportion of their GDP as assistance to developing countries (Ayesha, 2020). Multinational corporations (MNCs) therefore have to step in. According to Ayesha (2020, multinational corporations (MNCs) are important source of foreign direct investment (FDI). A number of factors or combination of factors has contributed to the enormous expansion and spread of the multinational activity in the past three decades. Loku & Loku (2016) posits that:

> Changes in technology and organizational sophistication created the possibility of expansion. The development of new communications technologies, cheaper and more reliable transportation networks, and innovative techniques of management and organization have made possible the kind of concentration, integration, and flexibility that are the hallmark of the successful MNC (p.77).

Multinational corporations tend to have budgets that exceed those of many small countries (Chen, 2020). The dominant player in the modern world investment set up multinational corporations (Cllicker, 1990).

The challenges faced by multination corporations in most developing countries during entry into market include government regulations and policies, geographical location, language barriers, shortage of skilled labour, and low level technological development (Abimbola & Dele, 2015). Weak rates of intellectual property protection in developing countries also prevents both down-stream and up-stream technology transfer activities characterized by the fear of unauthorized use of proprietary knowledge prevents foreign companies or corporations from entering into transfer activities with local entities (Abimbola & Dele, 2015). In addition, corruption and insecurity discourage multinationals as corruption is adjudged to increase the cost of doing business and as a result most foreign investors would rather want to invest in countries with lower levels of corruption which derive maximum profits from investment (Abimbola & Dele, 2015). Moreso, insecurity which manifest in kidnapping, hostage taking, armed robbery, burglary, religious, ethnic and political crisis, terrorism and killings in most developing countries like Nigeria discourage foreign investment from multinational corporations rather firms prefer environments that are peaceful and investment friendly (Abanyam, Abubakar & Ikwuba, 2017; Abimbola & Dele, 2015). Moreover, Kang (2013), assert that multinational corporations are under more pressure because they face very relevant, diverse, strong interest groups in the local and global environment, groups that will grant them legitimacy and the power to act. Worasinchai & Bechina (2010), suggests that the investments by foreign companies make the developing countries more receptive to social and economic changes as they enter in the global market and they have to adopt modern values and business practices. The host country should facilitate the operations of MNCs because their direct investments are much easier to obtain than funding from traditional channels such as the World Bank, national development organizations, or non-profit organizations (Worasinchai & Bechina, 2010).

Nevertheless, Tirimba & Macharia (2015), argue that multinational corporations do not come into being from thin air. There has to be some motives, substance, some meaning, reasons and some objective for them to come into being. Ayesha (2020), insists that multinational corporations exist because they are highly efficient. He further asserts that their efficiencies in production and distribution of goods and services arise from internationalizing certain activities rather contracting them to other firms. Similarly, Aguilera-Caracuel, Guerrero-Villegas & Garcia-Sanchez (2017), suggest that one of the main reasons these firms invest in developing countries is to improve their reputation. Not surprisingly, Ferdausy & Rahman (2009) doubts the accuracy of this account. Instead, they stressed that many multinational corporations enter developing country basically to exploit cheap labour and abundant natural resources. He further assert that multinational corporations makes just a little contribution to employment, and they discourage local entrepreneurs by competing and acquiring existing firms, by using expatriate managers instead of training local people, and by hiring away local skilled workers. Oden, (2019), argues that:

> Developing nations attract multinational subsidiary operations due to a number of factors such as cheap labour, low taxation and less vigilance concerning workers' rights and environmental protection. They are made to contribute to the social security net (i.e. welfare, unemployment insurance, etc) other factors including low pay for women workers, child labour, and the absence of labour unions, also combine to make the Third World Ripe for Exploitation.

The introduction of multinationals into a host country's economy may also lead to the downfall of smaller, local businesses (Chen, 2020). Robbok & Simmonds (1989), laments that, the rise of the multinational corporations (MNCs) have confronted the nation state with challenges of the operations of the local jurisdiction. The nation state has had to grapple with nation interests and how to protect them from being compromised by the multinational corporations whose focus is to control and transfer goods and money as they cross national borders. Tirimba & Macharia (2015), confirm that MNCs have devastating effects on their host countries; they are crafty in tier dealings and do more economic and political harm and perpetuate poverty in the less developed countries (LDCs).

Nonetheless, multinational corporations (MNCs) on the one hand, benefit much from lower costs and grants given by the government of developing economics to attract more MNCs. More often, lower tax rates or tax exemptions are given to MNCs for a period in the developing countries (Ferdausy & Rahman, 2009). On the other hand, most of these developing countries also benefit (gain) form the investment made by the multinationals. Multinational companies help in reducing poverty, driving economic growth, creating jobs that utilize local people, raise employment standards by paying better wages at least more than local firms pay or subsistence agriculture (Pettinger, 2019; Ferdausy & Rahman, 2009). In addition, they can boost economic development by transferring technology and knowledge, improve or build up infrastructure, raise people’s standard of living (Ajibo et al, 2019; Okon & Okon, 2018; Evstigneeva, 2016; Hairy, 2013; Dunning, 2013). However, there appears to be uncertainties about the activities of these corporations, in both positive and negative ways (Petting, 2019; Ferdausy & Rahman, 2009). MNCs take undue advantage of developing countries. Many are guilty of causing environmental pollution, repatriation of profit, monopolizing the economy, paying low wages, forcing local firms out of the business and doing human rights abuse (Pettinger, 2019). It is in line with this mix perspective (both positive and negative) that this study sort to examine the role of multinational corporations (MNCs) in socio-economic development of developing countries.

Theoretical Framework

The study is premised on Neoliberal theory and Stakeholders Theory. Neoliberal theory is an ideology and policy model that emphasizes the value of free market competition. It emphasize on minimal state intervention in economic and social affairs, and its commitment to the freedom of trade and free capital (Smith, 2019). Neoliberal theory assumes that less developed countries (LDCs) traditionally or typically suffered from the four “gaps” which keep these countries (developing nations) trapped in a state of economic backwardness or underdevelopment status. Particularly, Streeten (1974) identified these gaps as: the resource gap; foreign exchange gap; skills and technology gap; and the budgetary gap. According to this model, by filling these gaps, developing countries or less developed countries (LCDs) are able to generate economic growth and development, and therefore escape from the “poverty trap”. Proponents of this theoretical perspective argue that a solution would involve foreign investment. Thus, multinational corporations as part of foreign direct investment (FDI) and as a “package” of financial, managerial and technological resources, constitute one of the most effective means available to fill the four gaps experienced by Less Developed Countries (LDCs). Liberalists who wrote about multinational corporations (Cohen, 2007; Dicken, 2015) seen multinationals as agents of development, employment, clean environment, development of the underdeveloped rural areas through their adherence to ethical, social and environmental responsibilities.

However, with regard to the benefits accruing to less developed countries, critics argued that trade liberation has fallen short of the promises of growth, increased employment, higher wages and greater welfare that are publicized by the advocates or proponents of free trade since financial flows have been distributed unevenly among and within countries. Rodrik (2019) posits that gross capital mobility and trade, even between countries with similar levels of income, increase the elasticity of demand for labour and thereby can negatively affect the distribution of income. The unequal strengths between the developed and less developed countries manifest themselves not only in the dominant power of the rich nations to control the pattern of international trade, but often also in their ability to dictate the terms whereby technology, foreign aid and private capital are transferred to less developed countries. Stakeholders Theory on the other hand posits that a company is only successful when it delivers value to its stakeholders, and those values can come in many forms beyond financial markets. Freeman (1984), defined a stakeholder as any group or individual who can affect or is affected by the achievement of the organization's objectives. Thus, a stakeholder is anyone who has any interest in a project, business or organization (Blackburn, 2019). Stakeholder theory suggests that there are several interested parties that must be included under the umbrella of stakeholder, such as the company's employees, customers, suppliers, financiers, communities, governmental bodies, political groups, trade associations, trade unions and even competitors, as they too can impact the company. Proponents of stakeholder theory reason that all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and that there is no prima facie priority of one set of interests and benefits over another (Donaldson & Preston, 1995). The theory is a component of a larger corporate stakeholder management, which creates positive relationships with stakeholders by managing their expectations and objectives.

Donaldson & Preston (1995), asserts that stakeholder theory has descriptive, instrumental and normative aspects that are mutually supportive. They further argued that descriptive is used in research to identify and define characteristics and behaviours of companies and how they are managed. Instrumental uses empirical data to find connection between management of stakeholders and reaching corporate goals. While normative aspect is the core function of the corporation and how it can morally carry out its processes, ensuring that management sticks to positive philosophical guidelines. Freeman (1984), questioned the traditional shareholder motive of a company – where the company's primary task is to increase value for its shareholders rather, Freeman posits that there are other equally important parties involved as well. The basic assumption of stakeholder theory is that a corporation has obligation to all its stakeholders and beyond. The stakeholder model explains the requirement for leaders of multinational corporations that operate subsidiaries in various countries, to understand the needs of constituents in the different host countries who can have an impact on, or are affected by the corporation's products (Donaldson & Preston, 1995).

Critics of stakeholder theory such as Charles Blatterg labeled the theory as problematic and argue that the interests of stakeholders cannot be balanced against each other. He further pointed out that stakeholders represent such a large and diverse group. Therefore it cannot please or satisfy every stakeholder. It is imperative that one or more stakeholders will have to take a back seat to other, particularly the more dominant ones, is likely to create discard. This logically disrupts the benefits associated with stakeholder theory. Moreso, on who wield the most influence? Some stakeholders find that they are not impacting decisions as much as another group. The different power levels and spheres of influence can be a problem. Even those with seemingly more influence might not feel that they are getting what they want.

Meaning of Multinational Corporations (MNCs)

The word “multi” and “national” means more than one nation. Thus, multinational corporations (MNCs) signify that the activities of the corporation or enterprise involve more than one nation. The activities in question may refer to assets, sales, production, employment, or profits of foreign branches its affiliates (Amusan, 2018; UNCTAD, 2004). Multinational corporations or multinational companies are corporate organizations that operate in more than one country other than home countries. According to Greeshma (2020), a multinational corporation (MNC) or transnational corporation (TMC), also called multinational enterprise (MNE), is a corporation or an enterprise that manages production or delivers services in more than one country. Dicken (1998) defines multinational corporations as a firm, which has the power to coordinate and control operations in more than one country. From the word of Pettinger (2019), multinational corporations are large companies with operations in several countries across the world. Root (1994) refers to MNC as a parent company that engages in foreign production through its affiliates located in several countries, exercises direct control over the policies of its affiliates and implements business strategies in production, marketing, finance and staffing that transcend national boundaries. Similarly, Tirimba & Macharia (2015) posits that multinational corporations are firms whose scope of investment in international or in countries is outside their immediate origins or outside their national frontiers.

Ferdausy & Rahman (2009), used the concept of multinational corporations (MNCs) to mean enterprises which have operations in more than one country. According to Obasanho (2018), Multinational Corporation is a company or corporation in the field of business or manufacturing which acts in several countries and have employees far beyond the country of its creation taking into account characteristics of national markets of foreign countries. Ayesha (2020) describes multinational corporations as those large firms which are incorporated in one country but which own, control or manage production and distribution facilities in several countries. He further asserted that multinational corporations are also known as transnational corporations and that they transact business in a large number of countries and often operates in diversified business activities.

It must be emphasized here that the term “multinational corporation” is distinct from ‘International Corporation’ in the sense that, the letter was used to designate a company with a strong national identification. While a multinational corporations (MNCs) consist of the parent company, (normally the head office based in their home country) and its affiliates (either subsidiaries or associates in other countries abroad). The parent company owns some percentage of the share capital in order to be able to exercise control; that is, its overseas activities were an extension of its domestic functions and its decision – making centre remains at home (Ferdausy & Rahman, 2009). The movements of private foreign capital take place through the medium of these multinational corporations. The multinational corporation therefore, is a business organization whose activities are located in more than two countries and is the organizational form that defines foreign direct investment (Lazarus, 1997). This form consists of a country location where the firm is incorporated and of the establishment of branches or subsidiaries in foreign countries (Lazarus, 1997). Sai (2020) submitted that a multinational company is one which is incorporated in one country (called the home country); but whose operations extend beyond the home country and which carries on business in other country (called the host countries) in addition to the home country. It is imperative to note that the headquarters of a multinational company or corporation are located in the home country. MNCs have their central head office in the home country and secondary offices, facilities, factories, industries, and other such assets in other countries.

Multinational Corporations (MNCs) and Socio-Economic Development in Developing Countries

According to Ferdausy & Rahman (2009), MNCs are firms those own and control production facilities in two or more countries. They provide and distribute goods and services across national boundaries. They spread ideas, tastes, and technology throughout the world; and they man their operations on a global scale. Such companies have offices and or factories in different countries and usually have a centralized head office where they coordinate global management. Nearly, all major multinational corporations are owned by the Americans, Japanese or Western European, such as Nike, Coca-cola, wal-mart, AOL, Toshiba, Honda, and BMW. Multinational corporations contribute significantly to the socio-economic development of developing countries. Multinational companies such as Nike, Suny, Apple, Toyota, Coca-cola and google etc have investments and operations in developing economies (Pettinger, 2019). These investments consequently leads to huge benefits. Some of these benefits derived from multinational corporations by developing economies are as follows:

1. **Capital Formation and Inflow of Capital:** Pettinger (2019) pointed out that multinationals provide an inflow of capital into developing countries and invest by building factories which is counted as capital flow on the financial account of the balance of payment. UNCTAD (2004), claim that foreign direct investment has the potential to generate employment, raise productivities, transfer skills and technology, enhance exports and contribute to the long – term economic development of the world's developing countries. This capital investment helps the economy of developing countries to increase its productive capacity (Ferdausy & Rahman, 2009). Multinational corporations therefore can be considered as a major stimulus to economic growth and development in developing countries. Capital is one of the important economic assets in developing economies. One of the important benefits of multinational corporations is their injection of capital into a developing country, bringing financial resources otherwise unavailable through their own capital and access to international capital market (Ferdausy & Rahman, 2009).
2. **Create Wealth and Employment Generation:** Inward investment by multinationals creates many jobs for developing countries. Multinational corporations play a significant role in creating new jobs. Therefore contributing to employment generation and the increase quality of life of the employees in development countries (Pettinger, 2019). Even though, wages paid by multinational corporations seems very by western standards. However, people in

developing countries often see these jobs as preferable to working as subsistence farmer with even lower income.

3. **Investment and Improvement of Infrastructural Development:** With a large command over financial resources and their superior ability to raise resources, multinational corporations could invest in infrastructure such as power projects, modernization of airports, railways, ports and telecommunication (Ayesha, 2020). The investment in infrastructure with no doubt will give a boost to industrial growth and help in creating income and employment in the developing country's economy. This may also improve the skills of their workforce. Foreign investment may lasso stimulate spending on roads. The external economics generated by investment in infrastructure by multinational corporations will therefore crowd in investment by the indigenous private sector and will thus stimulate economic growth (Ayesha, 2020). The Chinese companies for instance, have built new roads and railways in Africa to gain better access to raw materials. This infrastructure investment will leave a long term legacy – even if firms leave Africa.
4. **Poverty Alleviation:** Multinational corporations are key partners to poverty reduction in developing countries. Turyahabwa (2014), posits that MNCs have played a role in addressing pressing social problems such as chronic poverty in Africa. The most frequently roles that MNCs play include providing employment, contributing to community development projects, and providing industrial training to youth, and providing emergency assistance, and staff development. Multinationals encourage people to produce certain commodity or products and these products makes the worker's life improved substantially.
5. **Diversification of Economy:** Multinational Corporations helps developing countries to diversify their economy away from relying on primary products and agriculture which are often subject to volatile prices and supply.
6. **Promotion of Exports:** With extensive links or connections world over, multinational company can play an important role in promoting exports of a developing country in which they invest.
7. **Availability of Sophisticated Technology:** Multinational corporations make available technology that would otherwise be out of the reach of developing countries (Ferdausy & Rahman, 2009). Multinationals train local staff, stimulates local technological activities, and transfers technology throughout the local economy. The technology improves the quality of production and encourages development.
8. **Building Competence and Skills of Local Workers:** Ferdausy & Rahman (2009) asserted that building skills of local workers have proved to be essential to successful transfer and technologies knowledge associated with multinational corporations. Multinationals provides managerial skills and competence that improve production in developing countries. Worasinchai & Bechina (2010), explained that:

   > Building competence/skill of local workers has proved to be essential to the successful transfer to hire local people than use expatriate employees. However, the lack of an adequately skilled workforce in the operating region presents a challenge to overcome. Low education levels of potential employees are a particularly impediment to

> maximizing a local employee base. MNCs are often engaged in capital building efforts and sometimes deliver education and training to groups in order to help them increase production levels and to perform work routines more efficiently (p.172).

Multinational corporations therefore are considered as the right partners for conducting research projects for technology maintenance or improvement, leading to new and innovative products, or services.

9. **Technology Transfer:** It is through multinational corporations that modern high technology is transferred to the developing countries. Thus, Ayesha (2020) postulated that:

> Another important role of multinational corporations is that they transfer high sophisticated technology to developing countries, which is essential for raising productivity of working class and enable them to start new productive ventures requiring high technology. Whenever, multinational firms set up their subsidiary production units or joint – venture units, they not only import new equipment and machinery embodying new technology but also skills and technical know-how to use the new equipment and machinery (p.7).

As a result many workers and engineers come to know of new superior technology and how to use it.

Drawbacks of Multinational Corporations in Developing Countries

Despite what many may consider as the benefits or contribution of multinational corporations to socio-economic development in developing countries or less developing countries (LDCs). The story of the progress and contributions of multinational corporations to developing countries development is not told by all. There are those who believed that MNCs are agents of exploitation. Yunis, Jamali & Hashim (2018), emphasized that MNCs are often responsible for a range of negative spillages, from spilling toxic chemicals into rivers to overthrowing democratically elected governments in developing countries. They further mentioned that operations of MNCs might lead to uneven development in developing countries. Longdon (1980), argued that multinational corporations repatriate their profits and more large amounts of currencies across borders, especially in the event of a relocation of plant for various reasons, this result in reduction in value of the host country's currency occasioning inflation hence making the value of inputs rise ruining the economy of a developing country. Again, Yunis, Jamali & Hashim (2018), hinted that developing countries lack a sufficient robust legal framework to regulate MNCs and to protect social and environmental rights. MNCs often take advantage of this situation. There are many criticisms labelled against multinational corporations activities in developing countries. MNCs are often criticized for some of the following reasons:

1. **Exploitation of Workers:** In situation where technology transfer is tied to the training of workers in new skills and trade in the host country, they are unable to shift to other industries. Therefore, the mobility of labour is restricted. Consequently, such firms exploit the workers by forcing them to work for longer working hours (Okon & Okon, 2018). Multinational corporations may also pay

low wagers by western standards but, this is arguably better than the alternatives of not having a job at all. Ferdausy & Rahman (2009), argued that labourers are paid low wages because there are few or no trade unions to protect their rights or negotiate with the multinationals.

2. **Skilled Labour are not Received by Indigenous Workers:** When undertaking new projects, the multinational corporations may have to employ skilled labour from other economies and not in the developing countries. Loko & Loku (2016), explained that:

> Despite the increase in globalization most MNCs have home bases that give them resolutely national identities. General Electric and Microsoft are clearly America just as Honda and Toyota are Japanese. Only one in five of the boards of ostensibly global US companies include a non-US national. Sixty percent of Honda's sales are outside Japan, but about only 10 percent of its shares are held by non-Japanese. Toyota has 41 manufacturing subsidiaries in 24 countries but no foreign managers among its Vice-Presidents in Tokyo. Mergers and acquisitions have little impact. Daimler-Chrysler, hailed in 1998 as a merger of equals, soon become a German company with German Executives taking control of the US operation while many of Chrysler's most senior executive either left or were forced out. Even within Europe with its single market and single currency, pan European companies, free of national demarcations, remain elusive (p. 76).

This implies that best jobs are not received by local workers and the investment is diffused.

3. **Profit Repatriated:** Multinationals invest in developing economies. However, the profit is repatriated to the location of the multination, thus, the net capital inflows are less than they seem. Papandreou (2001), contends that funds extracted from poor areas of the world were, in effect, transferred to the rich and growing markets in Europe.

4. **Prevent Autonomous Development:** The monopolistic nature of multinational corporations makes developing countries to have their economy conditioned by the development and expansion of another therefore placing the dependent developing economics in a backward position, exploited by the dominant countries. Mthombeni (2006), warned that "multinationals may damage hose economics by suppressing domestic entrepreneurship and drive out local competitors by inhibiting the emergence of small scale local enterprises" (p. 30). The multinational corporation therefore, prevent the developing countries from achieving genuine autonomous development by preventing local firms and entrepreneurs from participating in the most dynamic sectors of the economy; they use local capital instead of bringing in new capital from the outside; they increase income inequalities in host country (developing countries), and they use inappropriate capital–intensive technologies that contribute to unemployment (Ferdausy & Rahman, 2009). Their market dominance makes it difficult for local small firms to thrive. They use their economies of scale to push local firms out of business.

5. **Monopoly Power:** Multinational corporations are often interested in profit at the expense of the consumer. They often have monopoly power which enables them to make an excess profit. Again, Mthombeni (2016) argued that:

   > Because of MNCs monopolistic structure and economic power, the possibility has often been considered that influential multinational corporations can increase control over local assets and occupations and can then exercise substantial influence on political decisions at all levels. In extreme cases, they may undermine the very political process of the host nations (p.32).

   Examples of such multinational corporations include Apple, Microsoft, Ford, Shell, Coca-cola, Sony, Honda, Toyota, Nokia, McDonalds, adidas, Suzuki, Pepsi, Alphabet (Google), etc. The size and turnover of these multinational corporations can be greater than the GDP of many developing countries.
6. **Environment Pollution (Cost):** In the pursuit of profit, multinational companies often contribute to pollution and use of non-renewable resources which is putting the environment under threat. Ayesha (2020), posits that multinational companies can outsource parts of the production process to developing economies, with weaker environmental legislation. Huge components of multinational investment in developing countries are seeking out raw materials such as oil, gold, diamonds, rubber and precious metals. The extraction of these raw materials can cause environmental externalities – polluted rivers, loss of natural landscape. Though, Multinational Corporation's pollution may be perhaps a failure of government regulation. Leaver & Cavanaugh (1999), argued that governments of developing countries often find they are not strong enough to regulate the easy flow capital across national borders and are thus unable to wield enough influence over their nation's development as they bid for MNC investment, often at great social cost to the country.

   Multinational corporations can cause significant damage to the developing countries in terms of environmental pollution. In many parts of developing economics, multinationals mining activities have created or caused serious environmental degradation and pollution, including the discharge of toxic substances into rivers, huge volume of waste disposal, and the inadequate disposal of hazardous wastes, and the long run impacts of poorly planned mine closure. Multinational oil companies for instance, have been the target of protest and criticism for widespread pollution and human rights violations in many developing countries (Abimbola & Dele, 2015). Moreso, there is only a short-term inflow of money to pay for the materials. In most cases, the payment has not effectively filtered through to the wider population. With many syphoned off by corrupt officials and politicians. Thus, local communities in developing countries can face widespread disruption, but only limited compensation for the precious materials (Pettinger, 2019). The worse of it all is that there is a trade in rubbish, which gets sent to developing countries for disposal and recycling.
7. **Health and Safety Risk:** Ferdausy & Rahman (2009), lamented that another type of secondary consequences suffered by developing countries is health and safety hazards caused by the proliferation of substandard counterfeit medicines supplied by the multinational corporations.

8. **Tax Avoidance:** Most multinational set up companies in countries with the lowest tax rate. They funnel profit through the countries with the lowest corporation tax rates. This means the multinationals are free-riding on smaller companies who cannot attain the same creative tax accounts (Ferdausy & Rahman, 2009).
9. **Manipulation of Prices:** Okon & Okon (2018), assumed that when the multinational corporations transfer technology and operate their own branches in the developing countries, they manipulate the price of their products to their own advantage and thus keep most of the gains to themselves. Restrictions are placed by the host country on the transfer of profits to prevent the company, they use these in holding the majority shares of the companies, thereby spreading their economic strength in the country and providing the growth of related industries locally (Okon & Okon, 2018).
10. **Import of Obsolete or Out-model Technology:** Multinational Corporations are accused on the basis of importing obsolete machines and technology. Some of the imported technologies are inappropriate to the conditions of Third World Economy. Therefore, most Third World Country has been made a dumping grouped for obsolete technology (Ayesha, 2020; Abanyam, 2012). Evstigneeva (2015) argued that:

    > Technology has become a key factor in maintaining competitiveness in the modern global economy. Socio-economic development of countries, their economic and political position in the world arena and the welfare of the population are determined largely by the competitiveness of their national economies and the participation in foreign exchange. On the one hand, developed countries go to an increasing separation from the developing world through technological excellence own farms and effective national innovation systems, on the other hand, developing countries are deprived of the possibility of reduction of this gap through the intensification import of technologies that are critical to their development (p.505).

    In many instances, multinationals export out-models and discarded technology to less developed countries (LDCs). In most cases, such technologies are somehow cheap and of a lower capital intensity. Nevertheless, it entails high cost in terms of repeated breakdowns and constant repairs. In the absence of the availability of spare parts in the supplier country, such technologies become of no use and infringe huge loss to the purchasers in less developed countries (Okon & Okon, 2018). In addition, the multinational corporations (MNCs) do not undertake Research and Development (R & D) in developing countries to promote local technologies suited to their factor–endowment conditions. Rather, they concentrate R & D activity at their headquarters.
11. **High Cost of Technology:** The Multinational Companies (seller of technologies) prefer to market or sell their technologies in project package which are tied to specific project or products. The buyer or the purchaser (Developing countries) are compelled to buy (purchases) such technologies which require the purchase of raw materials, machines, spare parts and services of parents companies at much higher cost (Okon & Okon, 2018).

12. **Technology Transfer Hinder Local Entrepreneurship:** When multinational corporations transfer new technologies to their own local branches in the developing countries. These branches do not share the new technologies to the benefits of developing countries benefit. As a result, new technologies do not enter other spheres of national economies and thus reduce the opportunities for the development of local entrepreneurship.
13. **Social Inequality and Tension:** Technology Transfer creates social inequality and tension in developing countries. There is large wage differences between workers trains in new technologies and workers engage in local-firms in developing countries (Okon & Okon, 2018). Mthombeni (2016) revealed that:

    > The impact of MNCs on trade and development is therefore very uneven, and in many instances, MNC activities support dualistic economic structures and exacerbate income inequalities. They tend to promote the welfare of the well-paid modern-sector workers against the interests of the rest by widening the wage gap. They divert resources away from essential food production to the manufacture of sophisticated and sometimes inappropriate products (demanded by local elites and a small rich minority), stimulate inappropriate consumption patterns through aggressive and advertising and their monopolistic market power, and do this all with improper (capital – intensive) technologies of production. Consequently, local resources tend to be allocated for socially undesirable projects. This in turn tends to aggravate the disproportion between the rich and poor, and the serious imbalance between urban and rural economic opportunities (p.22).

14. **Culture Imposition:** Multinational Corporations are accused of imposing their culture on the host country, perhaps at the expense of the richness of local culture. Multinationals might reduce cultural diversity around the world as they continue to expand, particularly into less developed countries (LDCs) or developing countries (DCs).

Conclusion

It is evidently clear that multinational corporations (MNCs) have played a significant role in developing countries. Multinationals overwhelmingly dominate not only global investment but also international production. They create more employment opportunities for large labour force, in developing countries and promote the development of high skills, help increase GDP growth and capital formation and reduce poverty. Host countries have been able to expand their tax base through the generated of multinational firms. The tax paid by these foreign firms has been used to provide infrastructures and boost the economy. However, multinational corporations can create (cause) environmental pollution, reserve all senior executive posts for their nationals and pay them very high salaries and train local nationals for lower and middle level posts having little independent decision making. MNCs bring in highly capital intensive technologies which do not fit in the factor proportionate developing countries. Often obsolete and discarded machines and techniques are imported which involve high social costs in terms of replacement after a few years. Multinational corporations want to reduce their production costs, seek out to developing countries with flexible environmental regulations and undertake in those countries productive activities that exacerbate local global environmental problems. The problem of most developing countries is how to control and curtail the damaging effect of multinationals and harness them for maximum benefit. In as much as there should be an open door policy for them to invest. It is therefore, imperative that strong environmental policies and regulations should be initiated to curtail or discourage (eliminate) some of the multinational activities that are not beneficial to their host communities (developing countries). The following policy recommendations are made based on the foregoing discussion:

1. Government of developing countries should continue with economic policies that will attract multinational corporations to invest considering the significant benefit its citizen's derived in terms of employment, poverty alleviation and the economic growth and development of their society.
2. Developing countries should ensure availability of skilled, experienced, well trained and educated labour force in order to attract foreign investors in establishing the multinational corporations.
3. Political and economic stability is the cornerstone of investment. Therefore, governments of developing countries should be committed to ensure that their political and economic stability so as to attract multinationals' investment in their countries.
4. Government of developing countries should initiate regulatory laws or framework that can discourage multinational corporations from exploiting and carrying out policies that are not beneficial to developing countries.
5. Developing countries should be engaged in improving their infrastructures in terms of road building, telecommunication, easier access to some parts of the country so as to attract potential foreign investors (MNCs). Infrastructure is a key element to attract multinationals. A poor infrastructure presents many impediments to progress or discourages foreign investors.
6. Developing countries should develop a regulatory framework that could assist local and regional areas in designing and implementing active policies for building export competitiveness. Building export capacity is very important for developing countries if they want to benefit fully from international trade and investment opportunities.
7. Multinational corporations (MNCs) should enhance their understanding of the developing process in order to integrate with national development strategies to maximize the results of their social investment.
8. Government of developing countries should take full advantage of the expertise and superior technological know-how of the multinational corporations by entering into agreement with them such that multinational companies undertakes to build a plant or help in exploiting their natural resources, imparts training to local personnel, provides technical know-how, starts production and then leaves the country by entrusting the entire operations to the local firms.

References

Abanyam, N.L. (2012). The Realities of Technological Transfer in Africa and the Challenges of Development. *African Journal of Economy and Society,* Vol. 11 (2) pp.100 – 109.

Abanyam, N.L., Abubakar, Y., & Ikwuba, A.A. (2017). Kidnapping and Socio-economic Development in Nigeria. Yar Adua University *Journal of social and Management Sciences,* Vol.1 (3) pp.1 – 8.

Abimbola, O.S., & Dele, A.O. (2015). Multinational Corporations and Economic Development in Nigeria. *American Journal of Environmental Policy and Management,* Vol. 1 (2) pp.16 – 24.

Aguilera-Caracuel, J., Guerrero-Villegas, J., & Garcia-Sanchez, E. (2017). Reputation of Multinational Companies: Corporate Social Responsibility and Internationalization. *European Journal of Management and Business Economics,* Vol.26 (3), pp. 329 – 346.

Amusan, L. (2028). Multinational Corporation? (MNCs). Engagement in Africa: Messianhs or Hypocrites? *Journal of African Foreign Affairs,* vol. 5 (1) pp.41 – 62.

Ayesha, J. (2020). Role of MNC's in Developing Countries Economics. Retrieved from https://www.economicsdiscussion.mncs.

Blackburn, M. (2019). What is Stakeholder Theory? Retrieved from https://www.projectmanager.com.

Center for Strategic & International Studies (CSIS, 2007). Multinational Corporations and Economic Development in Africa. Retrieved from https://www.csis.org.

Chen, J. (2020). Multinational Corporation (MNC). Retrieved from https://www.investopedia.com.

Cohen, S.D. (2007). Multinational Corporations and Foreign Direct Investment: Avoiding Simplicity, Embracing Complexity. Oxford: Oxford University Press.

Crotty, J.R., & Epstein, G. (2014). Multinational Corporations, Capital Mobility and the Global Neo – Liberal Regime. Retrieved from https://www.researchgate.net/publication.

Dicken, P. (2015). Global Shift: Mapping the Changing Continuous of the World Economy. London: Sage.

Donaldson, T., & Preston, L.E (1995). Stakeholder Theory of the Corporation: Concepts, Evidence and Implications. *Academy of Management Review,* vol. 20 (1) pp. 65 – 91.

Evstigneeva, L. (2016). International Technology Transfer Impact on Developing Countries: The Case of Russia and China. *Humanities and Social Sciences Review,* vol. 4 (3) pp.505 – 516.

Ferdausy, S., & Rahman, M.S. (2009). Impact of Multinational corporations on Developing Countries. *The Chittagong University Journal of Business Administration,* vol. 24 (1) pp.111 – 137.

Freeman, E.R. (1984). Strategic Management: A Stakeholder Approach. *New York: Cambridge University Press.*

Greeshma, G. (2020). Multinational Corporation: Meaning, Definitions, Concept, Characteristics, Types, Strategic Approach, Rationale and Regulations. Retrieved from https://www.businessmanagementideas.com.

Kang, J. (2013). The Relationship between Corporate Diversification and Corporate Social Performance. Strategic Management Journal, Vol. 34 (1) pp.94 – 109.

Loku, A., & Loku, N.S. (2016). Multinational Corporations Development. *International Journal of Engineering Research and Applications,* vol.6 (3), pp.74 – 83.

Mayrhofer, U., & Prange, C. (2015). Multinational Corporations (MNCs) and Enterprises (MNEs). Retrieved from https://www.researchgate.net/publication.

Mthombeni, M.S. (2006). The Role of Multinational Corporations in South Africa: A Political – Economic Perspective. Unpublished Bachelor of Arts Degree Submitted to the Department of Political Science, University of the Free State, Bloemfontein.

Nizamuddin, A.M. (2007). Multinational Corporations and Economic Development: The Lessons of Singapore. Retrieved from https://www.questia.com.

Obasanho, S. (2018). List of Multinational Companies in Nigeria. Retrieved from https://www.legit.ng.

Papandreou, A.G. (2001). The Multinational Corporations. Ontario: New York University Press.

Pettinger, T. (2019). Multinational Corporations in Developing Countries. Retrieved from https://www.economicshelp.org.

Prerna, J. (2020). Multinational Corporations, Meaning and Characteristics. Retrieved from https://www.sociologygroup.com.

Smith, N. (2019). Neoliberalism: Political and Social Science. Retrieved from https://www.britanical.com.

Streenten, P. (1974). "The Theory of Development Policy" In J. Baylis., & S. Smith (eds). *Economic Analysis and Multinational Enterprise. London: Allen and Unwin*, pp.252 – 279.

Tirimba, O.I., & Macharia, G.G. (2015). Economic Impact of MNCs on Development of Developing Nations. Retrieved from https://www.researchgate.net/publication.

Turyahabwa, J. (2014). The Role of Multinational in Eradicating Poverty in Africa: Perspectives from Different Stakeholders in Uganda. *Poverty & Public Polity,* vol.6 (1) pp.1 – 11.

Worasinchai, L., & Bechina, A.A.A. (2010). The Role of Multinational Corporations (MNCs) in Developing R&D in Thailand: The Knowledge Flow between MNC's and University. *Journal of Knowledge Management,* vol.8 (1) pp.171 – 180.

Yunis, M.S., Jamali, D., & Hashim, H. (2018). Corporate Social Responsibility of Foreign Multinationals in a Developing Country Context: Insights from Pakistan. Retrieved from https://ideas.repec.org>gam>jsusta