



GROWTH AND PERFORMANCE OF MULTINATIONAL CORPORATIONS IN INDIA

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ABSTRACT

This study evaluates the post-1991 growth trajectory, policy drivers, and economic performance of Multinational Corporations (MNCs) operating in India. Following the transition from the restrictive Foreign Exchange Regulation Act (FERA) to the liberalized Foreign Exchange Management Act (FEMA) under the 1991 Liberalization, Privatization, and Globalization (LPG) reforms, foreign equity participation experienced exponential growth across key sectors, including Information Technology, Automobiles, Fast-Moving Consumer Goods (FMCG), and Pharmaceuticals. Drawing on macroeconomic indicators, cumulative Foreign Direct Investment (FDI) data from the Department for Promotion of Industry and Internal Trade (DPIIT), and financial disclosures of top-listed MNC subsidiaries, this paper analyzes both market penetration strategies and operational performance. The findings indicate that MNC subsidiaries in India deliver superior capital efficiency, maintaining a median Return on Capital Employed (ROCE) exceeding 28% and commanding elevated valuation multiples relative to their global parent companies. Beyond direct financial returns, multinational expansion has generated substantial socio-economic spillovers through local vendor development, technology transfer, and the establishment of high-value Global Capability Centers (GCCs). The study concludes that the relationship between foreign MNCs and the Indian economy has evolved into a strategic partnership, positioning India as a global manufacturing, R&D, and innovation hub.

KEYWORDS: MNCs, FDI, Liberalization, Privatization, Globalization (LPG)

INTRODUCTION

The phenomenon of Multinational Corporations (MNCs) in India represents one of the most compelling narratives of economic integration and structural transformation in the modern developing world. Functioning as enterprise networks that manage, control, and coordinate production, service delivery, and research facilities across national borders, MNCs bring a sophisticated blend of capital, proprietary technology, organizational capability, and global supply chain integration into host economies. In the Indian context, the evolution, expansion, and operational performance of multinational firms serve as both a mirror and a catalyst for the country's broader economic journey, tracing a dynamic trajectory from early post-colonial caution to full-scale global integration. Historical context reveals that India's engagement with foreign commercial entities is deeply rooted, extending back to colonial mercantile enterprises such as the East India Company. However, the economic paradigm established immediately after independence in 1947 was defined by self-reliance, import substitution, and state-led industrial development. During the post-independence decades, foreign capital and multinational presence were strictly regulated through instruments such as the Foreign Exchange Regulation Act (FERA) of 1973. This regulatory regime imposed stringent ownership caps and restricted foreign equity participation, prompting high-profile exits of prominent global corporations that sought greater operational autonomy. While this era protected domestic infant industries and fostered domestic industrial capacity, it also limited access to advanced technologies, international capital markets, and global trade networks.

The watershed moment in the trajectory of multinational enterprises in India arrived with the economic crisis of 1991. Faced with a severe balance-of-payments challenge, the Indian government enacted landmark economic reforms centered on Liberalization, Privatization, and Globalization (LPG). The dismantling of the License Raj, the replacement of FERA with the more liberal Foreign Exchange Management Act (FEMA), and the systemic relaxation of Foreign Direct Investment (FDI) limits unlocked the floodgates for foreign enterprise entry. Foreign firms were no longer viewed merely as potential threats to sovereign autonomy, but as indispensable partners in modernization, capital formation, export generation, and technical capacity building. The structural drivers that fuelled the explosive growth of MNCs in India post-1991 are anchored in the country's unique macroeconomic and demographic profile. India offered an unmatched combination of a vast and rapidly growing domestic consumer market, a massive reservoir of English-speaking technical talent, and competitive labour costs. Initially, multinational entrants focused on market-seeking strategies in fast-moving consumer goods, automobiles, and industrial machinery, alongside resource-seeking strategies in information technology and software services. Over time, however, the rationale for operating in India evolved from basic cost arbitrage and local sales to high-value global delivery, advanced engineering, and core innovation. Sectorally, the footprint of multinational corporations expanded dramatically across diverse domains. In the services sector, information technology and business process management giants established



global operations in hubs like Bengaluru, Hyderabad, and the National Capital Region, converting India into the technological backbone of the global economy. The automotive and consumer durables sectors experienced parallel transformations as global manufacturers established state-of-the-art production facilities, transforming the domestic landscape from one of scarcity to one characterized by global quality and intense market competition. Furthermore, the pharmaceutical, chemical, telecommunications, and financial services sectors witnessed significant foreign capital participation, driving innovation and expanding access to modern goods and services across the country.

From an economic performance perspective, multinational subsidiaries operating in India have consistently demonstrated robust financial health, high profitability, and premium market valuations. Indian operations of global firms often trade at significant valuation premiums relative to their international parent companies, driven by higher top-line revenue growth rates, expanding operating margins, and the sheer scale of long-term market opportunity in a rapidly developing economy. Beyond financial metrics, the performance of MNCs is reflected in their spillovers into the broader domestic economy. They have accelerated the upgrading of domestic supply chains, elevated corporate governance and financial reporting standards, and introduced modern human resource and project management methodologies that have been widely adopted by domestic enterprises. The relationship between multinational corporations and the Indian economy has also yielded a dynamic cross-pollination of business models. To succeed in India's complex and price-sensitive market, foreign corporations have had to discard standardized global playbooks in favor of deep localization. This process of "frugal innovation" or reverse innovation has seen multinational firms re-engineer products, supply networks, and pricing structures specifically for Indian conditions, often exporting these low-cost, high-durability solutions to other emerging markets around the globe. Simultaneously, the competitive pressure exerted by multinational entrants acted as a powerful stimulus for domestic Indian firms, spurring them to modernize, achieve global scale, and ultimately transform into Indian multinationals operating aggressively across international borders.

In recent years, the nature of multinational performance in India has entered a sophisticated new phase characterized by Global Capability Centers (GCCs) and advanced digital infrastructure. Foreign enterprises are no longer maintaining mere back-office operations in India; instead, they are establishing strategic innovation centers that drive global artificial intelligence initiatives, enterprise software design, supply chain analytics, and research and development. Aligned with national policy initiatives like "Make in India" and supported by world-class public digital infrastructure, multinational corporations are increasingly positioning India as a primary manufacturing and export hub within global supply chains seeking diversification. While the growth of multinational corporations in India has not been completely devoid of challenges—such as navigating regulatory nuances, infrastructure bottlenecks, and intense domestic competition—their aggregate performance underscores a highly symbiotic relationship. Multinational firms have proven to be vital engines of capital inflow, employment generation, skill enhancement, and technological advancement, while India has provided these corporations with one of their most lucrative growth frontiers globally. Understanding the growth and performance of MNCs in India is therefore central to understanding the modern Indian economic narrative, highlighting how foreign capital and local capability combine to shape industrial progress in an interconnected global economy.

REVIEW OF LITERATURE

The literature examining the growth and performance of Multinational Corporations (MNCs) in India highlights a dynamic structural evolution, tracing how liberalized market conditions transformed foreign enterprises from cautious entrants into pivotal economic drivers. Early empirical assessments emphasize that the paradigm shift began with the 1991 Liberalization, Privatization, and Globalization (LPG) reforms, which dismantled the restrictive regulatory frameworks of the Foreign Exchange Regulation Act (FERA) of 1973 and established the Foreign Exchange Management Act (FEMA) (Choudhury & Khanna, 2014). Scholars observe that this policy shift allowed multinational firms to transition from initial market-seeking strategies—primarily targeting high-volume domestic consumption—toward resource-seeking and strategic-asset-seeking configurations (Nguyen, 2016). In the technology and services sectors, this structural expansion facilitated the emergence of high-density innovation ecosystems, notably seen in the rise of Information Technology (IT) service clusters and Global Capability Centers (GCCs) across major metropolitan hubs (Rao & Balasubrahmanya, 2017). From an economic and operational perspective, the performance of multinational subsidiaries in host markets like India is frequently benchmarked against domestic firms regarding productivity, technology transfer, and capital accumulation. Literature applying new-growth paradigms demonstrates that MNCs serve as primary vectors for endogenous technological change, enabling local firms with sufficient absorptive capacity to achieve convergence through knowledge spillovers, licensing, and adaptation (Patibandla, 2013). Furthermore, comparative studies on institutional practices reveal that foreign subsidiaries often uphold rigorous operational protocols, influencing systemic standards in financial reporting and organizational management across the host economy (Madhani & Sapovadia, 2015). Beyond financial performance and productivity gains, broader literature reviews emphasize that the modern performance metrics of multinational enterprises increasingly account for non-financial dimensions, including corporate social responsibility (CSR), workforce capacity building, and broader socio-economic developments aligned with global sustainability objectives (Bello & Kazibwe, 2022; Giuliani & Macchi, 2013).



OBJECTIVES OF THE STUDY

1. To evaluate the growth trajectory and policy factors driving MNC expansion in India.
2. To assess the financial and socio-economic performance of foreign MNCs in the Indian market.

RESEARCH METHODOLOGY

This study adopts a descriptive and analytical research design based on secondary data to evaluate the growth trajectory, policy drivers, and economic performance of Multinational Corporations (MNCs) in India post-1991. The data is collected from official publications of the Reserve Bank of India (RBI), the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry reports, corporate databases like CMIE Prowess, and stock exchange filings from the BSE and NSE. The sample selection focuses on top publicly listed foreign MNC subsidiaries operating across key growth sectors, including Information Technology, Automobiles, Fast-Moving Consumer Goods (FMCG), and Pharmaceuticals. To analyze the growth trajectory, trend analysis and Compound Annual Growth Rate (CAGR) calculations are used alongside qualitative evaluations of regulatory policy shifts such as Foreign Direct Investment (FDI) deregulation. To measure financial and socio-economic performance, financial ratio analysis—focusing on Return on Equity (ROE), Operating Margins, and Price-to-Earnings (P/E) ratios—is applied alongside basic descriptive statistics and comparative analyses to evaluate MNC operational efficiency and domestic economic impact.

Growth Trajectory and Policy Factors Driving MNC Expansion in India

The growth trajectory of Multinational Corporations (MNCs) in India is reflected in the cumulative Foreign Direct Investment (FDI) equity inflows managed by the Department for Promotion of Industry and Internal Trade (DPIIT) and the Reserve Bank of India (RBI).

Table 1.1: Cumulative FDI Equity Inflows into India by Key Sectors (2000–2026)

Sector	Cumulative FDI Equity Inflow (USD Billion)	Sector Share (%)	Key MNC Players
Services Sector (Financial, Banking, R&D, Tech Outsourcing)	\$128.85	16.36%	Citi, HSBC, Standard Chartered, Accenture, Deloitte
Computer Software & Hardware	\$124.64	15.82%	Microsoft, Google, IBM, Apple, Intel
Trading	\$51.58	6.55%	Amazon, Walmart, IKEA, Samsung
Automobile Industry	\$40.31	5.12%	Suzuki Motor, Hyundai Motor, Honda, Bosch, Mercedes-Benz
Telecommunications	\$40.19	5.10%	Vodafone Group, Nokia, Ericsson
Drugs & Pharmaceuticals	~\$24.11	~3.06%	Abbott Laboratories, AstraZeneca, Pfizer, GlaxoSmithKline
Others (Energy, Chemicals, Construction)	~\$378.05	~47.99%	Siemens, ABB, GE Vernova, Unilever, Nestlé
Total Cumulative Equity Inflow	\$787.73 Billion	100.0%	—

Source: DPIIT Quarterly Fact Sheet on FDI Inflow (Cumulative April 2000 – March 2026)



Table 1.2: Key Policy Milestones Driving MNC Expansion in India

Reform Era / Policy Framework	Key Regulatory Changes	Strategic Impact on MNC Trajectory
Pre-1991 (FERA Era)	FERA (1973) capped foreign equity at 40%. Direct government approval required.	Widespread exit of foreign firms (e.g., IBM, Coca-Cola); restricted foreign capital inflows.
1991 Liberalization (LPG Reforms)	Licensing Raj abolished; 51% automatic approval granted for key industries.	Transition from closed market to automatic route access for core industries.
1999–2000 (FEMA Enactment)	FERA replaced by Foreign Exchange Management Act (FEMA); foreign exchange controls eased.	Shift from punitive regulatory control to facilitating foreign exchange and cross-border trade.
2014–2020 (Ease of Doing Business & Digital Age)	Automatic route expanded to 100% in single-brand retail, manufacturing, and greenfield pharma.	Foreign firms expanded beyond sales offices to establishing global delivery centers (GCCs).
2020–2026 (PLI Schemes & Global Supply Chains)	Production Linked Incentive (PLI) schemes introduced across 14 sectors; 100% FDI in defense/insurance eased.	De-risking from China ("China+1" strategy); establishment of major electronics and auto component manufacturing hubs.

Analysis of Growth Trajectory & Policy Factors

1. **Shift from Import Substitution to Global Integration:** The transition from FERA (1973) to FEMA (1999) marked a fundamental shift from protecting local infant industries to integrating with global value chains.
2. **Sectoral Concentration in High-Value Services:** Services and Software/Hardware together capture **over 32%** of total cumulative FDI equity inflows. India's abundance of skilled technical labor led foreign enterprises to shift focus from basic back-office offshore operations to establishing mission-critical Global Capability Centers (GCCs) and strategic R&D hubs.
3. **Policy-Led Manufacturing Surge:** Initiatives like the Production-Linked Incentive (PLI) scheme and 100% automatic route entry in single-brand retail and contract manufacturing converted India into a major global export node for corporations like Apple, Samsung, and Suzuki.

Objective 2 — Financial and Socio-Economic Performance of Foreign MNCs in India To measure operational performance, a sample of top publicly listed foreign MNC subsidiaries in India (derived from Nifty MNC Index constituents) was analyzed across key financial and operational dimensions.

Table 2.1: Financial Performance Metrics of Top MNC Subsidiaries in India

Company Name	Parent Country	Primary Industry	Annual Revenue (approx ₹ Cr)	Return on Capital Employed (ROCE %)	Price-to-Earnings (P/E) Ratio	Market Cap (approx ₹ Cr)
Hindustan Unilever Ltd.	United Kingdom	FMCG	₹65,400+	28.4%	33.4x	~₹5,07,934
Maruti Suzuki India Ltd.	Japan	Automobile	₹1,40,000+	19.0%	28.7x	~₹4,21,393
Nestlé India Ltd.	Switzerland	FMCG / Food	₹24,000+	84.1%	74.4x	~₹2,79,200
Hyundai Motor India Ltd.	South Korea	Automobile	₹75,000+	38.4%	29.2x	~₹1,58,803



Cummins India Ltd.	USA	Industrial Machinery	₹12,000+	39.5%	64.0x	~₹1,55,204
Siemens India Ltd.	Germany	Electrical & Capital Goods	₹18,000+	21.4%	46.8x	~₹1,31,276
Bosch Ltd.	Germany	Auto Components	₹16,000+	21.5%	59.7x	~₹1,24,591
Colgate-Palmolive (India)	USA	Personal Care	₹5,800+	108.0%	42.2x	~₹56,730
Nifty MNC Index Average / Median	—	Multi-Sector	—	~28.1%	~35.9x	~₹33,96,072 Cr (Total)

(Financial Data sourced from Stock Exchange Filings & Listed Corporate Reports)

Table 2.2: Socio-Economic Impact & Technology Spillover Indicators

Dimension	Primary Mechanism	Socio-Economic Outcome in India
Employment Generation	Direct employment in manufacturing plants, GCCs, and software centers; indirect job creation in local supply chains.	Millions of high-skill jobs created in engineering, software development, and modern service sectors.
Technology Transfer & R&D	Establishment of advanced R&D centers (e.g., Bosch India, Siemens, GE Healthcare).	Development of localized technologies ("reverse innovation"), local patent filings, and engineering capability expansion.
Local Supply Chain Upgradation	Mandatory local component sourcing in automobiles, consumer goods, and industrial equipment.	Domestic vendor development (tier-1 and tier-2 suppliers brought up to international quality standards).
Corporate Governance Standards	Alignment with parent company compliance frameworks, ESG practices, and transparent auditing.	Benchmark for corporate disclosures, worker safety standards, and environmental stewardship across Indian markets.

Analysis of Financial and Socio-Economic Performance

Superior Capital Efficiency (ROCE): Listed MNC subsidiaries in India show high efficiency, with median Return on Capital Employed (ROCE) exceeding 28%. Companies operating asset-light or highly specialized consumer models—such as Colgate-Palmolive (108%) and Nestlé India (84.1%)—deliver high capital efficiency.

Valuation Premium: MNC subsidiaries in India often command high valuation multiples, reflected in a median Price-to-Earnings (P/E) ratio of 35.9x. Global parent companies frequently trade at lower multiples in developed markets, highlighting strong foreign investor confidence in India's long-term consumer growth.

Catalyst for Local Industry: The operational integration of foreign auto, electronics, and capital goods manufacturers has elevated domestic component manufacturers to global standards, encouraging indigenous firms (e.g., Tata Motors, Mahindra, TVS) to adopt advanced manufacturing practices and build globally competitive supply chains.



CONCLUSION

The evolution, expansion, and operational trajectory of Multinational Corporations (MNCs) in India underscore a fundamental economic transformation, marking the transition from early post-colonial caution to full-scale global market integration. Driven by decisive policy interventions—most notably the landmark 1991 Liberalization, Privatization, and Globalization (LPG) reforms and the subsequent transition from FERA to FEMA—India successfully shifted its regulatory posture from foreign capital restriction to active economic partnership. This regulatory liberalization unlocked unprecedented Foreign Direct Investment (FDI) inflows, allowing global enterprises to establish a robust presence across critical economic sectors, including Information Technology, Automobiles, Fast-Moving Consumer Goods (FMCG), Pharmaceuticals, and Capital Goods. From a financial performance standpoint, MNC subsidiaries in India have consistently demonstrated exceptional capital efficiency, sustained revenue growth, and premium market valuations. As evidenced by key profitability metrics—such as superior Return on Capital Employed (ROCE) and high valuation multiples—the Indian market has evolved from a secondary destination into one of the most lucrative and strategic growth frontiers for global corporations. Beyond direct financial returns, the socio-economic impact of multinational expansion has been far-reaching. Through technological spillovers, local vendor development, workforce capacity building, and the elevation of corporate governance standards, foreign MNCs have served as vital catalysts in modernizing domestic supply chains and accelerating India's broader industrial development. Looking ahead, the role of MNCs in India is entering a highly sophisticated phase defined by Global Capability Centers (GCCs), advanced research and development, and policy-driven initiatives like "Make in India" and Production-Linked Incentive (PLI) schemes. Multinational entities are increasingly leveraging India not merely as a domestic consumer market or low-cost back-office hub, but as a central engine for global software innovation, digital transformation, and high-value manufacturing. Ultimately, the growth and performance of foreign corporations in India highlight a mutually beneficial relationship: foreign enterprises gain access to unmatched scale, technical talent, and market momentum, while India continues to strengthen its position as a primary node in the global economy.

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