MULTINATIONAL CORPORATIONS AND INTERNATIONAL FINANCIAL INSTITUTIONS AND ON A DEVELOPING ECONOMY

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Abstract
This study investigates the effects of multinational corporations and International financial institutions on a developing economy. In this study it was discovered both institutions assists in developing the economy of a developing nation through several assistance which comes in the form of physical and financial resources international financial institutions (IFIs) assists developing nations based on the nation's long term development vision thereby playing a crucial role in the social and economic development of such a nation while investment of MNCs also enhances the capital base of the country based on her level of investment in such a nation. Conclusively it was also discovered that IFIs also makes fund available to MNCs that are in need of capital, IFIs should at most times consider the growth part of the developing nation's economy by advising MNCs on their preferred areas of investments.

Keywords: Financial resources, developing economies in core funding, investments, decision making services.

Introduction

A multinational company can also be referred to transactional corporation which is also regarded as a corporation that owns and controls the production of goods and services in more than one country other than its home country (Pitelis, Surgden, 2000).

International financial institutions play a major role in the economic development of nations thus, they foster economic development and improve economic relations among nations. They also lend to the private sectors by applying the country's strategy document by lending to private institutions within such a nation. And as such financial flows between nations includes incomes from multinational corporations and bank borrowing (Odili and Onyele, 2021).

While Kipadani and Luci (2019) were of the view that access to external financial is considered as the major determinant of international capital flows. Therefore, international financial institutions also facilitate investments between two countries (Nick, 2006).

The economic importance of multinational corporations (MNCs) to developing nations is simply to channel physical and financial resources to countries with capital shortages. (Ango, 2013). Thus wealth is created, which is considered to create new jobs. In addition, it also increases the capital base of a nation's tax revenues from generated income, allowing developing economies to improve their infrastructures and strengthen their human capital development by improving the efficiency of capital flows. But it is important to note that foreign direct investments are prevalent with multinational corporations. Therefore, Foreign

Direct Investments (FDI) have common characteristics which are considered by economies that are heavily dependent on government regulations. International financial institutions are organizations that are created by national governments from different countries, they also attempt to foster economic development and improve economic relations among nations thus, they play a crucial role in the socio-economic development programs of nations which are concerned with developing their economies.

In the view of Mpia (2023) he opined that the roles of banks has evolved over the years and as such international financial institutions extended their domestic roles to the global market with a greater responsibility of servicing the needs of multinational corporations. These position is further upheld by Dibiah, (2022), Samuel-Sons and Nordhaus (2005), were they asserted that these institutions are further responsible with how payments are made for transactions across national boundaries. Thus both institutions also help in developing the economy of developing nations with various financial commitments.

In the views of Adetifa (2003) he asserted that these financial institutions make loans and capital equity participation to organizations that are in need of capital. These institutions are also established by two or more countries and they are subject to international financial laws, they are also managed by national government (Sun and Resnick, 2014).

Furthermore, in many parts of the world, International Financial Institutions (IFIs) play a crucial role in the social and economic development programs of nations with developing economies (Dunning, 2008). These roles will include advising on development projects, funding and assisting in their implementation.

With the following objectives

- To reduce global poverty and improve people's living conditions and standards;
- To support sustainable economic, social and institutional development and
- To promote regional cooperation and integration.

These objectives will be achieved through loans, credits and grants to national governments. Such funding is usually tied to specific projects that focus on economic and socially sustainable development. IFIs also provide technical and advisory assistance to their borrowers and conduct extensive research on development issues. In furtherance to these public procurement opportunities, in which multilateral financing are delivered to a national government for the implementation of a project International Financial Institutions (IFIs) are also involved in lending directly to non-sovereign guarantee government institutions (Anang, 2013).

REVIEW OF RELATED LITERATURE

CONCEPTUAL REVIEW

Multinational corporations make direct investments in foreign countries. MNCs are characterized by a parent organization and a cluster of subsidiaries or branches in several countries with a common pool of managerial, financial, and technical resources. The parent organization operates in areas of a coordinated global strategy which includes; Purchasing, production, marketing, research, among others. All these are organized and managed by the parent company in order to achieve its long-term goal of corporate growth. But Black law Dictionary retrieved (2018) was of the assertion that a company or group should be considered a multinational if it derives 25% or more of its revenue from out of income country operations.

In the views of Mingst (2014), a multinational corporation (MNC) is a business enterprise that maintains direct investments overseas and upholds value-added holdings in more than one country. A multinational firm sends abroad a package of capital, technology, managerial talent, and marketing skills to carry out production in foreign countries. Dunning (2008) supports the same view and defined MNC as an enterprise that engages in foreign direct investment (FDI) and owns or, in some way, controls value added holdings in more than one country. Therefore when a company goes international, it is with the aim of an increase in investment output and as such they need to make use of capital intensive technology.

Samuelson and Nordhaus (2005) views Multinational Enterprises as any business that has productive activities in two or more countries. Multinational Corporations are usually very large corporate entities that while having their base of operations in one nation the "home nation" it carries out and conducts business in other nations. While Doob (2014) envisages multinational Corporations as very large entities having a global presence and reach. Multinational corporations (MNCs) can spur economic activities in developing countries and also provide an opportunity to improve the qualities of life, economic growth, regional and global communities.

But College (2016) asserted that foreign direct investment are prevalent within multinational corporations and as such they employ both local and foreign workers with the aim of producing a product with a great sense of innovation and creativity.

But the linkage between financial development and capital flows will always be regarded as being beneficial to a resources scarce economy of developing nations because lack of financial development will definitely affect the benefits that is expected of any developing economy.

Characteristics of Multinational Companies (MNC) are:

- In general, there is a national strength of large companies as the main body, in the way of foreign direct investment or acquiring local enterprises, established subsidiaries or branches in many countries.
- It usually has a complete decision-making system and the highest decision- making centre, each subsidiary or branch has its own decision-making body, according to its different features and operations to make decisions, but its decision must be subordinated to the highest decisions-making centre;
- MNCs seek markets in worldwide and rational production layout, professional fixed-point production, and fixed-point sales products, in order to achieve maximum profit;
- Due to strong economic and technical strength, with fast information transmission, as well as funding for rapid cross-border transfers, multinational corporation has stronger competitiveness in the world;
- Many large multinational companies have varying degrees of monopoly in specific areas, due to economic and technical strength or production advantages.
- In addition, corporations may be prohibited from various business transactions by international sanctions or domestic laws. International investment agreements also facilitate direct investment between two countries.
- Multinational corporations may be subject to laws and regulations of both their domicile and the additional jurisdictions where they are engaged in business.
- **Very high assets and turnover**: To become a multinational corporation, the business must be large and must own a huge amount of assets, both physical and financial. The company's targets are high, and they are able to generate substantial profit.
- **Network of branches:** Multinational companies maintain production and marketing operations in different countries. In each country, the business may oversee multiple offices that function through several branches and subsidiaries.
- **Control**: The management of offices in other countries is controlled by one head office located in the home country. Therefore, the source of command is found in the home country.
- **Continued growth**: Multinational corporations keep growing, even as they operate in other countries; they strive to grow their economic size by constantly upgrading and by conducting mergers and acquisitions.
- **Sophisticated technology**: When a company goes global, there is the need to

make sure that their investment will grow substantially. In order to achieve substantial growth, they need to make use of capital intensive technology, especially in their production and marketing activities.

- **Right Skills**: Multinational companies aim to employ only the best managers, those who are capable of handling large amounts of funds, using advanced technology, managing workers and running a huge business entity.
- **Forceful Marketing and advertising**: One of the most effective survival strategies of multinational corporations is spending a great deal of money on marketing and advertising. Such that they are able to sell every product or brand they produce.

Reasons for Being a Multinational Corporation

1. **Access to lower production costs:** Setting up production in other countries, especially in developing economies, usually translates to spending significantly less on production costs outsourcing is a way of achieving the objectives, setting up manufacturing plants in other countries may be even more cost- efficient. Due to their large size, MNCs can take advantage of economies of scale and grow their global brand. The growth is achieved through strategic manufacturing/service placement, which allows the corporation to take advantage of undervalued services across the globe, more efficient and inexpensive supply chains, and advanced technology coupled with research and development capacity.
2. **Proximity to target international markets:** It is beneficial to set up business in countries where the target consumer market of a company is located. This will help to reduce transportation costs and easier access to consumer feedback and information, as well as consumer intelligence. International brand recognition makes the transition from different countries and their respective markets easier and increases per capita marketing costs as the same brand vision can be applied worldwide.
3. **Access to a larger talent pool:** Multinational corporations are also known to hire only best talent from around the world, which allows management to provide the best technical knowledge and innovative thinking to their product or service.
4. **Avoidance of tariffs:** When a company produces or manufactures its products in another country where they also sell their products, they are excepted from import quotas and tariffs.

IFIs AND DEVELOPING ECONOMY

IFIs applies strategy documents because they are fundamental to establishing an IFI's lending priorities for a developing country, based on the country's vision for its long-term development. The document lays out the IFI's support program for the nation. A country strategy begins by analyzing the causes of poverty within the population and identifying key areas where the IFI's assistance can reduce it most effectively. This establishes a foundation for the IFI's future activities in the country, which can range across the entire spectrum of economic and social needs. The development of the country strategy involves extensive discussions with many stakeholders, including government authorities, representatives of civil society, non-government organizations, development agencies and the private sector. International Financial Institutions (IFIs) play a crucial role in the social and economic development programms of nations with developing or transitional economies. These roles include advising on development projects, funding and assisting in various levels of implementation. They also advice on the following areas:

i. Regulation of Monetary supply
ii. Banking services
iii. Insurance services
iv. Capital Formation
v. Investment Advice
vi. Brokerage services
vii. Pension Fund Services
viii. Trust Fund Services

MANAGEMENT OF MULTINATIONAL CORPORATIONS IN NIGERIA

Managing multinational corporations requires a different set of conceptual tools, it is important to understand the fundamental economic, strategies, structural, organizational, and socio-political issues that have impacted on the process of international expansion of the firms, linkage between foreign subsidiaries and corporate headquarters in the home, country and on the relationship between the multinational firms and interest groups in the foreign countries, including the government, labour unions, customers and suppliers. Their employment modes such as polycentric, ethnocentric and geocentric should be seriously taken into consideration in order to achieve effectiveness and efficiency in their managerial process. Bernadine (2003) identifies four possible models which are listed as follows:

Ethnocentric Model: This model works within the assumption that management and human resource practices are critical core competence to a firm's competitive advantage and as such should not be trifled with nor compromised (Bird et al, 1998). Under this model, the foreign subsidiaries tend to have little autonomy and operations and decisions are typically centralized at the headquarters. The bulk of the management staff is usually sent from the headquarters and comprises mainly the parent Company.

Polycentric Model: This model handles subsidiary as a distinct entity with some level of decision making authority. Under this model both the management and the supporting staff are usually selected competitively from the local labour market. The only challenge is that in most cases, these local personnel are hardly ever promoted to work outside their local environment either in other countries where the company has subsidiaries or in the headquarters. This model is considered and adaptable to local conditions.

Geocentric Model: This model tries to remove the boundaries and separating lines between the parent company and the subsidiaries scattered all over the world. It strives to integrate its businesses with the relationships based on collaboration and mutual reciprocity. Under this model, the organization views itself as having a global workforce that can be deployed and utilized in a variety of ways throughout the world. Key positions tend to be filled by the most qualified individuals regardless of nationality, race or colour. Staff remunerations in companies that are geocentric are generally based on global market rates and standards considerations are solely based on individual contributions to the organization rather than country of origin.

HOW THE GOVERNMENT CAN CONTROL THE ACTIVITIES OF MULTINATIONAL CORPORATIONS IN NIGERIA.

The effects of multinational corporations on the Nigeria economy can be controlled or minimized through the instrumentality of:

- **Government active intervention and honest participation**: The government should be able to influence operations of multinational corporations positively in order to reduce the magnitude of their negative activities on Nigerian economy. Assistance from government can be planned and programmed which can be viewed as a national environment program. This can be achieved through the followings:

  Government should put in policies that will enable the companies to understand that they are to engage, in inform, sensitize and engage businesses in dialogue and negotiations concerning voluntary initiatives. Secondly, offering incentives and assistance to firms seeking to adopt more environmentally responsible business models. Thirdly, reinforcing monitoring environmental conditions and enforces sanctions. Strict Penalties and Sanctions: Government should impose more severe penalties on the directors of companies and threats of corporate closure where they refuse to operate within the laws stipulated by the government or engage in any activity that will undermine the position of the government.

- **Corporate Environmental Policy:** The government should enact laws that will commit the company to be in full compliance with all laws and go beyond compliance whenever possible; and further establish an open-book policy whereby employees, community members and others can be informed of any potentially adverse effects that the company may cause on the environment.

- **Environmental Scanning:** Before a company attempts to reduce its impact on the environment, it is essential that it first gains a full understanding of it. There should be environmental audit. The goal of such audit is to understand the type and amount of resources used by a company product line or facility, and the types of waste and emissions it is going to generate. This will help in setting priorities as to how a company can get the greatest return on its efforts.

- **Employee Training/ Involvement:** Companies should engage in variety of activities, especially education with the aim of helping employees understand the environmental impact of their jobs and to support their efforts through positive changes.

Conclusion

International financial institutions also play crucial roles in the economic development of developing nations and as such they also render financial services to MNCs. International financial institution also makes capital available to organization that are in need of capital who may have met all their requirement for credit facilities. Multinational corporations have remained the vehicles through which globalization has affected businesses in different parts of the world. Nigeria as a developing country can only benefit from their operations if considerations are given to the environment in which they operate and the economy at large.

Recommendations

International Financial institutions assist developing economies by considering growth prospect of the nation and not only providing capital based on her already established indices.

- Decision making processes: Representatives should be appointed from the locality where the company is cited coupled with government representative than operate and an appointed by the government.

- The Polycentric model of staff selection should be considered by government on these corporations which will be enshrined under her terms of agreement with the multinational corporations operating in Nigeria.

- This will enhance skill acquisition and ensure adequate transfer of technology.

- There should be interactive sessions on regular basis between the multinational corporations, with various stakeholders and leaders of our country to create greater understanding and enhance harmonious business relationship especially on moral and ethical grounds. Such interactions would impact positively on the ethical performance of both the companies in particular and the various corporations at large.

- International financial institutions (IFIs) should at all times consider how to grow the economy of developing nations by advising MNCs on their preferred areas of investment.

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