# Department of Commerce (CA)

## BUSINESS ENVIRONMENT 18MCC13C

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UNIT 5

Government policy regarding foreign exchange and exchange control - Foreign Investment and Collaboration - Multinational Companies - Government policy towards MNC's Globalisation of Indian business

Reference Book

BUSINESS ENVIRONMENT

Francis Cherunilam

Prepared by

Dr. T. KALPANA

Associate Professor and Head

# UNIT 5

## Government policy regarding foreign exchange

Foreign exchange. Control is a system of goverment which intervenes not only to maintain a rate of exchange but also to require the home buyers and sellers of foreign currencies to dispose of their foreign funds in a particular manner

## Objectives of foreign exchange control

1. Correcting balance of payments
2. Protecting domestic industries
3. Maintaining an overvalued rate of exchange
4. Preventing flight of capital
5. Earning revenue
6. Stabilising exchange rates
7. Paying off foreign liabilities

## Types of Control

1. Mild System of exchange control
2. Full fledged System of exchange control

③ Compensating arrangements

④ clearing agreement

⑤ Payment arrangements

## Foreign Investments and collaborations.

It consists of flow of capital from one nation to another country

Foreign collaboration is an agreement or contrat between two or more companies from different countries for mutual benefit

## Objectives

① To sustain high level investment

② To fill the technological gap

③ To undertake initial risk

④ To exploit natural resources

⑤ To develop basic economic infrastructure

⑥ To improve the balance of payment position

## Types of foreign Collaboration

① Financial collaboration

② Technical Collaboration

③ Marketing Collaboration

④ Management Consultancy Collaboration

# Multinational Companies

It is a business that operates in many different countries at the same time. It means a company has business activities in more than one country

## Characteristics

① Very high assets and turnover

② Network of branches

③ Control

④ Continued growth

⑤ Sophisticated technology

⑥ Right Skills

⑦ Forceful marketing and advertising

⑧ Good Quality products

## Reasons for being a MNC

① Access to lower production cost

② Proximity to target international markets

③ Access to larger talent pool

④ Avoidance of tariffs

## Models of MNCs

1. Centralised
2. Regional
3. Multinational

## Advantages of being a MNC

1. Efficiency
2. development
3. Employment
4. Innovation

## Government policy towards MNCs

1. Political and economic power
2. Increasing Concentration
3. Rationalisation of Production
4. Perpetuation of Monopolies
5. Lack of national loyalty

## Globalisation of Indian business

Globalisation is the process of interaction and integration among people companies and Governments world wide

Globalisation of business is the change in business from a company associated with a single country to one that operates in multiple countries

**Impacts of globalisation in Indian Business**

1. Rise in employment
2. Surge in compensation
3. Improved standard of living
4. Shift from import - substitution
5. Foreign capital inflows
6. Transfer of technology
7. Increased market access
8. Economic growth and poverty reduction
9. Removing inefficiency in production

**Drawbacks**

1. Inequality
2. Inflation
3. Trade Imbalances
4. unemployment
5. Standardisation
6. Dominant global brands