

UNDERSTANDING THE SOCIOLOGICAL IMPACT OF MULTINATIONAL
CORPORATIONS ON NIGERIAN ECONOMY

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Abstract:

Multinational Corporations are large firms that operates in many countries. They impact positively and negatively on the economic, environmental, political and social aspects of development of the countries where they operate. Analyzing the impact of their activities on host countries, provides us with some sociological insight into the discourse. The paper, in attempt to analysis and reveal the consequences of their activities on a country's economy, adopts the use of secondary sources such as; articles in reputable journals, and content analysis to unravel how multinational corporations (MNCs) can impact on the economies of countries where they operate, and in Nigeria. From the analysis, the study showed that in Nigeria, the negative impacts of the activities of multinational corporations (MNCs), by far, outweighs the benefits. The paper recommends therefore, that proactive steps should be taken by the people and government to facilitate, the development of indigenous technology, the patronage of, and the use of home made goods and services to boost the economy to foster development.

Keywords: Multinational corporations (MNCs), Investment agencies, Profits, Market.

Introduction

Multinational corporations are firms that have operations in more than one country. They function in many locations (i.e. in other countries) but have their base (i.e. the headquarters) in home country (Odunlami & Adwolusi, 2015). They have their presence worldwide and are not loyal or subject to any government. Sometimes they are referred to as multinational enterprise (MNE) or transnational corporation (TNC) (Tatum, 2010 in Odunlami & Adwolusi, 2015). The activities of Multinational Corporations began in around the 15th century when merchants, mercantilists, explorers, and fortune-seekers began to search for wealth in different parts of the world. By the 16th - 17th century, modern multinational corporations had been formed and became widespread. By the 19th century, Britain established colonies with the aid of already established MNCs in those colonies. At that time, Europe went in search for raw materials, external markets and new investment areas to feed its new found industrialization (Folarin, 2005).

In Nigeria, colonial rule went on almost simultaneously with the activities of the first multinational corporation in Nigeria, the Royal Niger Company (Udoka, 2015). The company was formed by George Goldie in 1879. Then it was called the United African Company which was changed to the National Africa Company in 1886. In this same period the company was granted a royal charter and later changed to the Royal Niger Company now called the present Unilever (Nwanze, 2014). MNCs have impacted many nations economy. But while they seem important for economic development in countries that are wealthy in resources, their interaction with host country institutions is not clear or well understood (Wig & Kilstad, 2011). More recently, they have become a source of debate (Stopford, 1998 in Obamen, et. al., 2019), partly because they use their technological advantage to maintain control over the raw material and market of host country's economy (Oninode, 1982). MNCs make profits at the lowest cost and take their profits back home to develop their country (Ozoigbo & Chukuezi, 2011 in Odunlami & Adwolusi, 2015). As Henslin (2011) puts it, the primary beneficiaries of these investments are the home countries of the MNCs irrespective of where the profits are made from.

The economic, political, and social conditions facing these countries makes it imperative to inquire into the benefits these countries stand to gain from doing business with MNCs, or the dilemma they would likely face. MNCs help to sustain international stratification by establishing unequal distribution of wealth of nations. And stratification of any sort carries along with it, problems of inequality (Henslin, 2011) which have become a major source of concern to Sociologists. Hence, it becomes necessary to review the impact of the activities of MNCs on Nigeria's economy from the angle of sociology.

Conceptual Discourse

Different scholarly views exist on the activities of Multinational Corporations. The views of these scholars can be categorized into two; those who see MNCs as agents of positive change, people empowerment and community development and those who believe that the activities of MNCs are the major causes of underdevelopment in the third world countries. The first group holds a common belief that no countries' economy can develop without meaningful trans-border trade and investment while the

second group sees MNCs as agents of underdevelopment, exploitation and domination.

According to Rourke (1994), multinational corporations encourage the flow of investment capital and inhibit conflicts between nations. It creates economic interdependence which reflects a complex interdependent world. The investment of MNCs provides host countries with broad variety of economic benefits, which include job opportunities. However, the free flow of foreign investment capital usually results into investors gaining control of the economic, political and cultural processes of host countries, while the surplus profits are repatriated to their home countries.

Roach (2007) sees Multinational Corporations as large companies that are growing more rapidly than the world economy. The firms are concentrated in the oil, automobile, electronics, agriculture, and banking sectors of the host country's economy and impact the lives of billions of people daily. They bring economic growth, provide jobs, lower prices of goods and services, and sell quality products to an increasingly expanding world population. They employ workers locally, increase production to meet the growing needs of the population, create the demand for local inputs, and lower prices of goods to local consumers. They transfer skills to workers through in-house training. By implication, these large firms can help the host countries without indigenous technology and managerial capability, acquire better technology and properly manage their resources. Also, these large firms do not only concentrate on growth and profit maximization, but contribute to environmental and social development causes of host countries.

According to *Ceranic, Arowosafe, and Dean (2015)*, MNCs stir up domestic production and promote positive responses from local operators. Mansfield (1983) believes that by investing overseas, MNCs would facilitate the international transfer of important managerial labour and speeding the diffusion of innovations or new technologies. He also believes that the activities of multinational corporations would facilitate the integration of the economies of the world. Mansfield, however argued that MNCs do not facilitate the transfer of new technologies and managerial capability to speed up development for these countries but invest to control foreign sources of raw materials. They use their technological ability to exploit foreign markets by establishing subsidiaries rather than licensing. The technologies they transmit are not well fitted in the less developed countries due to unskilled labour and little capital. However, workers can be trained. Above all, the activities of MNCs are often viewed with suspicion and fear by host government. To him, the activities of MNCs have failed to break down certain barriers between nations and cannot integrate the economies of the world.

On the other side of the divide are critical scholars like Aja (1998), and Chukwuemeka, Anazodo, and Nzewi (2011), who have mentioned some ways the activities of MNCs can endanger the social, economic and political life of host countries. Aja (1998), specifically mentioned that MNCs are mainly concerned with profit making, and Chukwuemeka, et. al., (2011) stated that the activities of MNCs can be detrimental to host countries in many aspects. These scholars highlighted how the activities of MNCs can result in underdevelopment for the third world countries. They discussed MNCs as agents of underdevelopment, exploitation and domination. They indicated that for developing countries to attain desired development, they must check seriously the activities of these MNCs who are agent of foreign capitalist states. Reiterating further, that multinational corporations only take interest in accumulating capital across the globe and repatriating it to their home countries, thereby, widening the gap between the developed and developing states. These corporations' cash in on the weakness of the host governments and their policies to engage in mass irregularities and sharp practices.

Aja (1998) argues that seeing MNCs as engines to facilitate economic growth and transfer of technology to less developed countries of the world, is more of a myth than reality. Aja, further maintained that MNCs are giant business companies doing business solely to make profits. Although they are known as agents to facilitate the transfer of science and technology through foreign direct investment (FDI), their control of science and technology are not charitable. They are agents of capital flight, interfere in host country's politics, exploitative and prey on countries that are less developed, and lack the will, capacity and political base to break the hold of these MNCs.

Clark (2010), in Chukwuemeka, et. al., (2011), have outlined the following as the consequences of multinational enterprises working in the third world countries:

1. They do not contribute to solving the economic problems of host countries, since their interest is not tied with the nation they are operating,
2. They do not encourage indigenous production of goods and services,
3. They find ways to repatriate huge sums of profits instead of using it to develop host country,
4. They focus and control more profitable sector of the economy like the petroleum sector,
5. They sell overpriced, obsolete, equipment like vehicles, computers and so on to third world

- countries, thereby, compounding their developmental problems,
6. They engage in monopolistic capitalism e.g. Coca-Cola Company to frustrate the production of other home-based soft drinks,
 7. They encourage members of host countries to patronise their products in place of indigenous products which they brand inferior.
 8. They try to control and retard progressive government of the third world countries through blackmail and interference.

Theoretical Analysis on the Activities of Multinational Corporations

A theoretical explanation on the activities of multinational corporations has been provided using World System Theory. Although World System Theory and Dependency Theory share similar perspectives in their explanations of the causes and effects of underdevelopment faced by some countries, World System Theory is solely adopted to explain the activities of multinationals.

World System Theory

World System Theory discusses nations and the inter relations that unite them into a single social system (Stark, 2007). The theory postulates that industrialization led to a categorization of nations into four groups. The first group is the core nations, the second is the semi periphery, the third is the periphery, and the fourth is called external area. The core nations or states consist of Britain, France, Holland and Germany (Henslin, 2010). The core states have the strongest political structure, stable government, little internal class conflict, and can provide a very high living standard for workers. The peripheral states have a weak political structure and political instability, class conflict, and low standard of living for workers (Stark, 2007). The semi peripheral states have a mix of the core states and the peripheral states. The external area comprised of Africa and Asia. These nations were left out of capitalism and development completely (Henslin, 2010). The mechanisms which the less developed nations are made dependant and dominated by advanced nations are outlined in three-fold. The first and fundamental of these mechanisms, is that the developed nations dominate the less developed nations by establishing foreign firms and investors that control the economies of these countries. The economies of the less developed countries are denied the opportunity to grow because these foreign firms and investors take their profits back home to invest. Secondly, they control the type of economic activities that takes place in underdeveloped nations and ensure that these nations remain suppliers of raw materials. By selling the manufactured goods to peripheral nations, and taking profits back home, they make them unable to become industrially self-sufficient.

Thirdly, nations that specialize in exporting raw materials must remain poor because world price for raw materials are subject to manipulation by spectators in the advanced nations (Stark, 2007). The theory explains the links between developing and developed nations; it explains how resources flow from "Peripheral" or poor underdeveloped

the former. The central contention of this theory is that poor states are improvised by the rich states. Among the effects of this continual dominance of developed nations over less developed ones is the low standard of living and life expectancy in poor nations. And their activities no doubt impacts on the economy of host country like Nigeria.

Methodology

The researcher made use of the library method to gather information for the study. Analysis was based on articles obtained from reputable journals and content analysis. There were no responses gathered from any population, hence, explanations on the subject of discussion was done completely on materials and works done by others.

Consequences of the Activities of Multinational Corporations in Nigeria

MNCs damage and pollute the environment where they work, engage in corruption, and abuse the rights of local community dwellers (Ceranic, et. al., 2015). They exert influence on the politics of host countries and withhold the know-how to carry out transferred technology (Obamen et. al., 2019). Apart from employment opportunities which they provide, MNCs have not contributed significantly to facilitate the much-needed progress in development for a nation with enormous natural resources like Nigeria (Ozoigbo & Chukuezi, 2011). The huge financial capacity, as well as the technological advantage of MNCs to produce goods and services over indigenous firms and newborn industries intimidate or push out these from the production sector (Ukpabio, et. al., 2016). The damage caused in the environment of the Niger Delta region has brought about ethnic crisis (Folarin, 2005).

Conclusion and Recommendations

From the analysis on the activities of multinational corporations and the Nigerian economy,

Multinational Corporations (MNCs) no doubt has impacted the economy of Nigeria negatively due to their strong positions and presence in the markets. These organizations have strong brand name and a wide geographical presence in domestic market. And because their products have significant presence across the West African region, this has contributed to stagnating the indigenous products. Their presence, if allowed to continue will have greater negative impact on the people. Necessary steps therefore should be taken by the people and the government to facilitate the development and use of indigenous technology to promote the production of local products, and patronize home made goods and services for economic growth.

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