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Globalization, Development and Multi-National Corporations (MNCs): The Kenyan Scenario

Tom Nyamache (Corresponding Author)
Mount Kenya University, Nakuru Campus, P.O Box 17273-20100, Nakuru, Kenya.
Tel+254723282500, Email: mokweri@gmail.com

Ruth Nyambura, Research Scholar
Faculty of Arts and Social Sciences,, Department of History and Religion, Egerton University
P.O Box, 536 Njoro, Kenya., Tel+254715133505, Email: mkunak2011@gmail.com
Research Coordinator, Mount Kenya University

Abstract
This paper examines the globalization phenomenon which has become the real approach for the international economy in the 21st century. This is evident from the fact that nations have become more interdependent through the flow of goods, services, and financial capital since the 1 970s through the 1980s and presently. The growing importance of industrialization has made the integration into the global economy virtually synonymous with development for a number of nations, Kenya among them. The nature of globalization is in tandem with economic impact of multinational corporations on the Kenyan Economy This study investigates the role of Multinational Corporations through linkages and the enhancement of technology in fast tracking a cross the border transactions. The paper arguably runs through the some of the side effects that are entrenched by globalization in many countries: inequality, poverty, exploitation, sidelining local industries among others. This study submits effects within the context of the state and its role in the process of globalization with particular focus on the Kenyan state and its intersection with national and international policies of economic development. These effects to the home countries of MNCs are often more difficult to identify, for various reasons. However, earlier studies suggest that the effects are generally positive, but the increasing international division of labor within multinationals complicates the analysis. The impact on the home country is likely to depend on what activities these firms concentrate at home. In conclusion the paper recommends how the Kenyan Economy could lead a more focused development devoid of foreign intervention through the MNCs in its Economic development.
Key words: Multinational Corporations, globalization, Development, Economy,

Introduction
The globalization debate has been an ongoing process spanning from political, social to technological which is part of connectivity of people around the world Preda (2002). Globalization is when the units of interaction were primarily used following the industrial revolution and innovations in transportation and communication. The units of international interaction became multinational corporations who were finding materials, labour, and as clients in countries outside their own. Friedman,(2005). Multinational corporations which key players in the globalized village create a convergence phenomenon for countries across the world. This however does not mean MNCs have brought homogeneity in the globe, rather diversity brought together by countries contacting each other. Globalization can be of two types: First, forced globalization, this is initiated by one of the Bretton Wood twins, the International Monetary Fund (IMF) and secondly participative globalization which occur through MNCs which have been integrated into the world economy. However, the role of participative globalization makes MNCs contribution to the process of growth and development in the less developed countries controversial in nature and character (Baradwaj & Hossain (2005)).

Objective of the Study
The objective of this study is to determine the impact of MNCs towards the development of the Kenyan economy.

Research Methodology
Area of study
This research focuses on the globalization phenomenon and the development of multinational corporations in Kenya. The study covers Kenya as the universe of the study. Kenya was chosen as a suitable area of research because of its strategic position in East, Central and Africa at large. Kenya is a destination of various investment opportunities by many countries and the world at large.

Research Design and Data Collection
This is a desk research which derives heavily from previous research studies. The study adopts descriptive research design suitable for document analysis and data that has been used in this study.

Data Analysis, Interpretation and Presentation
Descriptive statistics have been used in data analysis and presentation. This methodology is suitable for document analysis. Secondary data presentation will be presented appropriately in this study.

Literature Review

According to Giddeon (1990) globalization can be defined as the intensification of world wide social relations which link distant localities in such a way that local happenings are shaped by events occurring miles away and vice-versa.
Globalization is of two types: first formed globalization initiated by the International Monetary Fund and the second one is participative globalization which occurs through multinational corporations (MNCs) which have played pivotal role globally by integrating the world economy hence making their role in the less developed countries controversial in nature (Iqbal, 2005)

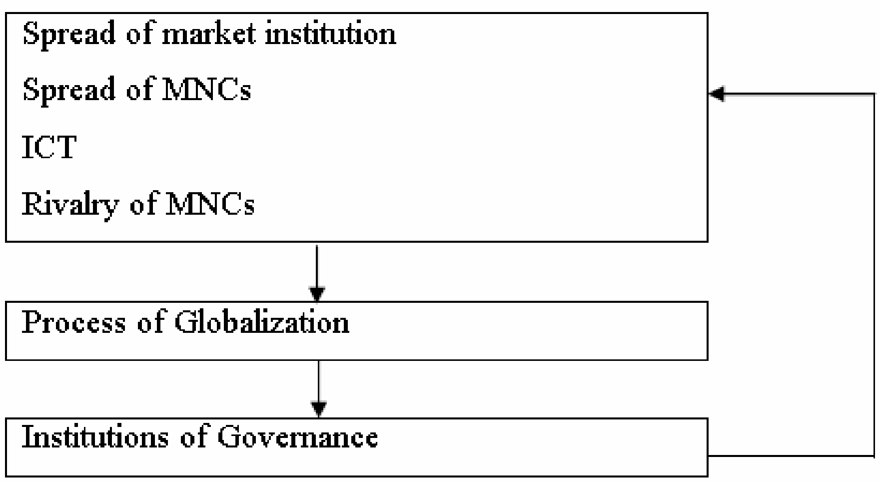
The globalization concept is a phenomenon largely exceptional but critical to countries across the world with profound changes in the International Arena by transforming the world into a global village. It has played a very important role in increasing economic growth and reducing object poverty in the developing world. Proponents of this concept have further argued that it has led to better products, lower costs, created job opportunities and empowered majority people economically (Erunke, 2012)

Many aspects fit into the globalization process ranging from political, social and technological which form part of connectivity of people around the world. Development that have taken place since the industrial revolution and innovation in transport and communication the units of international interaction became multinational corporations who finding materials, labour and clients outside their own (Friedman, 2005).

Multinational enterprises stand the centre of Foreign Direct Investments (FDI), characterized by long term developments sectoral and regional distributions included; knowledge and technology transfer seen by 80% of payments for royalties and license fees which flow between foreign affiliates and their parent companies and MNEs international trade through the large and increasing intra firm trade and the role of MNEs in trade of intermediate goods (Kieinert, 2001)

Multinational corporations have been protagonists of the globalization process even though this has drain strong criticisms from the third world, Kenya included, that there is undue penetration of westernization and propagation of high level dependence of the less developed countries on the western ones. (Fuggle 1995; Erunke, 2009)

Theoretical Framework



This paper develops a theoretical framework adopted by Bharadwaj and Delwar (2001) on factors pertinent to catalyzing the process of globalization as a way of defining change in the rules and regulations in both domestic and global contexts. The factors include; financial openness, trade liberalization, privatization, access to ICT and civil society organizations (CSOs), all entrenched into the globalization process.

Financial Openness - Capital formation and movement across borders is caused by financial reforms. This is rampant in the current world. Financial instruments including bonds, mutual funds and derivatives have immensely contributed to globalization. This is majorly characterized by exchange rate reform through currency convertibility, devaluation and price reforms which are major to financial openness.

Trade Liberalization - Unrestricted international trade maximizes total world income through the maximum use of available resources and technology. This contribution of efficient use of global resources by any country contributes to gains from trade. The resource of taxes and tariffs which opens up to opening up of external markets created liberalization phenomenon.

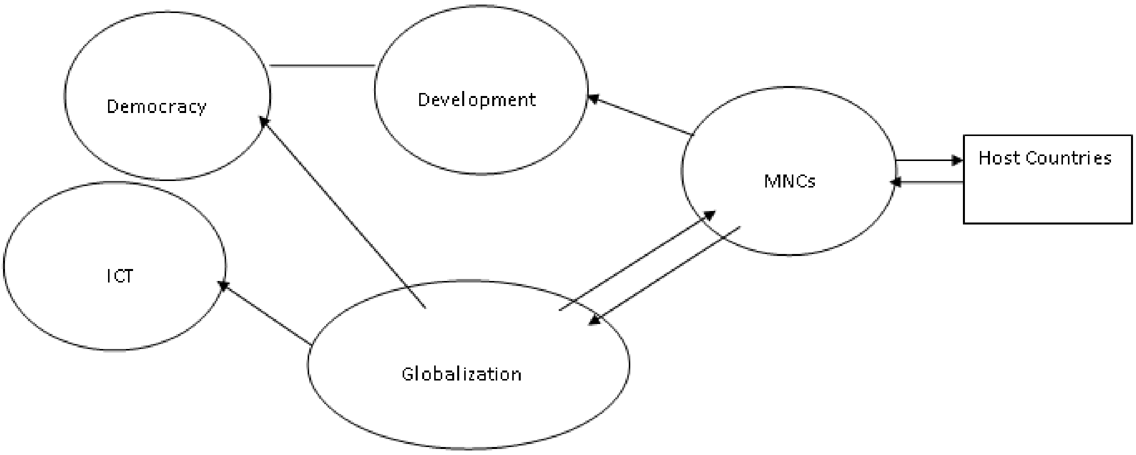
Privatization - The production of goods and services by individuals and organizations which are not part of government bureaucracy enhancing capitalistic approach to business transactions leads to the development of private entrepreneurship. This is in culmination of economic change.

Democratization - The existence and practice of globalization promotes growth which in turn promotes a democratic process characterized by promotion of peace, economic development and the entrenching of a multiparty approach in governance

Information Communication Technology (ICT) - Information Communication Technology (ICT) is the main engine of economic growth for developed countries. Through its main components: computing, communication, and internet related communication. The outcome of this is the existence of virtual states, e-governance and e-commerce.

Sustainable development - Multinational corporations play a great role in development. Development is visible, through environmental balance, social and economic priorities and activities. This is implemented through government, industry and academic involvement.

Conceptual Framework



Source: Own Conceptualization

Globalization has undergone several stages and transformation. The spread of ICT has increased capabilities of networking across the world. Most importantly multinational corporations have been the greatest architects of globalization which touch on many aspects of the society ranging from economic, environmental, academic, cultural, security among others. Worth noting is the globalization of trade and investment which influences wealth creation globally. This not only determining government policy but also creates interdependence mutually between multinational corporations and host countries.

Discussions and Results

The deepening of world wide economic integration has depended increasingly on rising Foreign Development Investment (FDI) flows, especially in the last two decades or so. Up to the mid-nineteen eighties, foreign trade was the most dynamic channel of economic integration. Exports grew much stronger than Foreign Development Investment in the 1950s, 60s and 70s. In the 1980s this pattern changed. 16.3% of Foreign Development Investment growth exceeded the 6.2% export growth per year by far (Hillebrandt and Welfens 1998). The increasing integration through stronger growth in trade relative to production and the impressive rise of FDI after 1985 is documented.World real industrial production has risen by 60% over this 24 years period.

Parallel increase could be a first hint to the dominant role of MNCs in the international transfer of knowledge and technology.The regional distribution of royalties and license fees payments is more strongly dominated by developed countries than the regional structure of inward FDI stocks. Given the advantage of MNCs in the production of technology intensive goods and their larger capacity to develop and absorb new technologies.

A large share of all payments for the use of imported technology comes from developed countries. Regional concentration is even stronger on the receipts side of royalties and license fees. The U.S. alone received about 58% of all royalties and license fees in the 1990s, Japan, the U.K., Germany and France 10%, 9%, 6% and 4%, respectively. These large players hold strong positions in payments as well as in receipts of royalties and license fees. According to UNCTAD data, international transfer of technology takes place almost without developing countries. Developed countries account for 98,3% of all receipts and 88.3% of all payments. Among the developing countries, South Korea holds the highest shares, with one third of the payments and one fifth of the receipts within the developing countries group.

Trade has been the most important channel of the integration of the world economy. It has been only very recently, that the strong rise in FDI challenges the role of trade in goods and services as the most important aspect of globalization. Since the end of World War II, international trade has pushed world economic integration. Its growth rates have exceeded production growth rates by far, pointing to a deepening of integration.Merchandise exports have almost tripled in nominal terms since 1980. Trade takes place mostly among developed countries. Their merchandise export share have remained relatively stable at about two third over the last two decades. The emergence of the Asian exporting countries has not changed this dominance of the developed countries. Trade in services has grown a bit faster than trade in goods. Its share in total trade has risen marginally to about 20% (WTO various issues) in 1999. A large share of trade especially between developed countries takes place within the same industry (Grubel and Lloyd 1971). These high intraindustry trade (IIT) shares are mainly explained by imperfect competition.

Globalization, Development and MNCs in Kenya

Globalization process in Africa started way long before independence. However in 1980s each African country had its own issues to tackle. From dictatorship regime in Uganda, Congo, Kenya and Nigeria to Africa socialism in Tanzania, misguided policies in Ivory Coast. These factors prompted these countries to seek for World Bank and IMF's help. Their liberation opened up capital floors by adopting the two institutions conditions through structure adjustment. Both the IMF market fund mentation and World Bank's Washington consensus policies (Stiglitz, 2006).

Africa remains an embattled continent on earth as indicated from its socio economic indices decline. Its share of world trade continues to dwindle and its resources plundered by external actors in its economic development blue print, Africa's development has not been effective due to lack of self suitability, due to overdependence on external aid and externally oriented policies and plans. It could be worth focusing if the African economy were to focus on strategizing on expansion of domestic and regional markets to promote into African trade by encouraging local industrialization instead of being subjecting itself to the invasion of foreign corporations (Stiglitz, 2006).

Kenya's economy has been driven and facilitated, by globalized macro-economic factors whose approach impacts upon the lives of Kenyans at large. Globalized markets, technology, ideas and solidarity can enrich the lives of people every where above all expanding their choices. However globalization is being driven by market expansion, open national borders to trade, capital formation and information. The expansion and operations of markets outside the borders, dominance in social, political and economic outgoing opportunities and rewards globally notwithstanding. (Source) (Gachunga 2008)

Multinational Corporations (MNCs)

Multinational Corporations have had both social and economic impacts to the Kenyan economy since independence. Following the advent of World War II MNCs penetration was experienced through the expansion of large, flexible and powerful oligopolies domiciled western capitalistic countries. Further these enterprises have extended their operations into third world countries Kenya included. Raw materials markets as extractors and consumers and into capital goods markets as suppliers. These approaches, however, creates a scenario where the development of business enterprise could be viewed as a process of centralizing and perfecting the process of capital accumulation (Stiglitz, 2006).

Product choice and output technology have limited employment opportunities in Kenya and production pattern have shifted away from the output of low cost necessities for the poor. Social costs therefore may outweigh the external social benefits of the capital that technology has transferred. The patterns of high social costs into the Kenyan economy have been brought about by a serious impact of trade and investment ties with foreign countries. Over the years MNCs have rather transferred products developed in and for rich countries. This made them engage in active taste transfer which has shifted demand from local goods to MNCs products which are often expensive with a different pattern from what local firms could meet. MNCs technology choice is capital intensive which limits employment creation. MNCs productions are developed in developed countries whose factor prices are different. In other sectors high wages give rise to capital intensive techniques. MNCs have developed background linkages whose inputs are imported. This practice is a result of working to standardize foreign products as a result of standardizing and integrating international institutions – MNCs, locally, the domestic economy is seriously hurt. (Source)

Conclusions

Globalization phenomenal is so far widely regarded both positively and negatively. Positively impacting upon the Kenyan economy in the sense that Growth of Gross Domestic Product (GDP) and Gross National Product (GNP) have been experienced due to the contribution of MNCs in Kenya. Uniliver Kenya products for example, ranging from Blue Band, Royco, Knorr, Omo, Sunlight, Geisha, and Vaseline are both consumed locally but exported to other countries in the Eastern and Southern Africa (ESA); namely Uganda, Tanzania, Malawi, Mozambique, Zimbabwe, and Zambia. There is improvement in the balance of trade by improving the ratio of exports to imports. This paper has reviewed, among other factors the impact of foreign direct investment and the transfer of technology from MNCs to Kenya as a host country. Following various effects brought about by MNCs in Kenya's development, in one way poverty could be eradicated meaning that globalization has so far supported development in Kenya. Equally, the opposite holds the fair that the presence of MNCs denies the locals from opportunities in job accessibility and creation of insecurity in their jobs. Lack of enough participation of Kenya locals in employment and wealth creation results to the non-participation in economic development.

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