CHRISTIAN SERVICE UNIVERSITY COLLEGE

THE IMPACT OF MULTINATIONAL CORPORATIONS (MNCs) ON THE GROWTH OF THE GHANAIAN ECONOMY

BY

FRANCIS MARFO

JUNE, 2019
THE IMPACT OF MULTINATIONAL CORPORATIONS (MNCs) ON THE GROWTH OF THE GHANAIAN ECONOMY

FRANCIS MARFO

(14018111)

Dissertation submitted to the Department of Accounting and Finance of the School of Business, Christian Service University College in partial fulfillment of the requirements for the award of the Master of Science Degree in Accounting and Finance

JUNE, 2019
DECLARATION

Candidate’s Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate’s Signature ……………………………….. Date ……………………
Francis Marfo
(Student)

Supervisor’s Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the Christian Service University College.

Supervisor’s Signature ……………………………….. Date ……………………
Dr. Mrs. Joyce Ama Quartey
(Supervisor)
ABSTRACT

Multinational corporations (MNCs) have been one of the engines of global economic
development, technology transfer, and deepening globalization. They have developed
not only within the domestic corporate framework but also created new subsidiaries in
different economies. MNCs cover the full range of business activities from
manufacturing to production, agricultural production, chemical manufacturing,
service delivery, and finance among others. Investments from multinational
corporations have shifted to be the first source of revenue in almost every developing
country contributing to social and economic development and stability. This study
intends to assess the contributions of MNCs to Ghana’s economic growth by
considering three major sectors: Agriculture, Oil sector and Services sector. Selected
MNCs listed on the Ghana Stock Exchange were chosen for this study. Their
contributions were recorded and OLS regression used to test their contributions to
GDP. The results reveal that there were inconsistencies in the trends of FDI inflows
into the Ghanaian economy from the period 2001 to 2018. Surge and fluctuation of
MNCs inflows were recorded in between the years. The effect of Agriculture sector
MNC on GDP was positive and statistically significant as opposed to Oil and service
sector contributions which were statistically insignificant. It was recommended that
the government should of necessity consider building more infrastructure and
rehabilitation of ports and harbors. They should also consider establishing good policy
instruments so that the economic variables will improve economic growth in Ghana.
Since this study had identified the agricultural sector of Ghana to still be the main stay
of the Ghanaian economy, more of Ghana’s resources should be allocated to the
agricultural sector.
ACKNOWLEDGEMENTS

It has been an exciting and instructive study period in the Christian Service University College and I feel privileged to have had the opportunity to carry out this study as a demonstration of knowledge gained during the period studying for my master’s degree. With these acknowledgments, it would be impossible not to remember those who in one way or another, directly or indirectly, have played a role in the realization of this research project. Let me, therefore, thank them all equally. I am deeply obliged to my supervisor, Dr. Mrs. Joyce Ama Quartey, for the exemplary guidance and support without whose help this project would not have been a success, also, my lovely wife Patricia Amo and my mom Madam Felicia Nyame for their contribution. Finally, yet importantly, I take this opportunity to express my deep gratitude to my lovely sons and daughter (Leo Mensah Marfo, Francis Marfo Jnr and Trinitas Fowaa Marfo), family and friends who are a constant source of motivation and for their never ending support and encouragement during this project.
DEDICATION

I dedicate this work to God Almighty for the strength and knowledge He granted us to be able to complete this long essay, also to my lovely wife Patricia Amo and my family for their immense support towards my education. I also dedicate this work to my close friends for their encouragement and support throughout the programme. The final dedication of this work goes to my noble supervisor Dr. Mrs Joyce Ama Quartey, may God richly bless you.
ABBREVIATIONS

Multinational corporations (MNCs)
United Nations Commission for Trade and Development (UNCTAD)
Sub-Saharan Africa (SSA)
Sustainable Development Goals (SDGs)
Corporate Social Responsibility (CSR)
Central Bank of Ghana (BOG)
Research and Development (R&D)
Foreign Direct Investment (FDI)
Trans-National Corporation (TNC)
The International Labor Organization (ILO)
The Economic Recovery Program (ERP)
Structural Adjustment Program (SAP)
Less develop countries (LDC)
Non-tariff barriers (NTB)
Institute of Economic Affairs (IEA)
Ghana Integrity international (GII)
World Development Indicator (WDI)
Agriculture sector (AGR)
Benso Oil Palm Plantation (BOPP)
Service sector (SER)
Oil sector (OIL)
Ordinary least square (OLS)
Purchasing power parity (PPP)
TABLE OF CONTENTS

DECLARATION........................................................................................................... i
DEDICATION............................................................................................................. ii
ABSTRACT............................................................................................................... iii
ACKNOWLEDGEMENTS........................................................................................ iv
ABBREVIATIONS...................................................................................................... v
TABLE OF CONTENTS.......................................................................................... vi
LIST OF TABLES...................................................................................................... ix
LIST OF FIGURES.................................................................................................... x
CHAPTER ONE ...................................................................................................... i
INTRODUCTION..................................................................................................... 1
1.1 Background of the Study.................................................................................... 1
1.2 Statement of the Problem.................................................................................. 4
1.3 Research Objectives.......................................................................................... 5
1.4 Research Questions............................................................................................ 5
1.5 Research Hypothesis.......................................................................................... 6
1.6 Significance of the Study................................................................................... 7
1.7 Delimitation of the Study................................................................................... 7
1.8 Limitation of the Study..................................................................................... 7
1.9 Definition of Terms........................................................................................... 8
1.10 Organization of the Study................................................................................ 9
CHAPTER TWO .................................................................................................... 10
LITERATURE REVIEW........................................................................................... 10
2.1 Introduction...................................................................................................... 10
2.2 Theoretical Review............................................................................................ 10
    2.2.1 The Theory of Unequal Exchange............................................................... 16
    2.2.2 Growth Theories....................................................................................... 16
    2.2.3 Dependency Theory.................................................................................. 17
    2.2.4 Endogenous Growth Theory.................................................................... 18
    2.2.5 Solow Growth Theory.............................................................................. 19
    2.2.6 Neoclassical Theory................................................................................ 20
    2.2.7 Theory of Economic Geography.............................................................. 20
4.7 The Effect of MNCs Contributions from Various Sectors to Economic Growth .................................................................66

4.8 Conclusion .........................................................................................................................................................68

CHAPTER FIVE ..........................................................................................................................................................69

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSIONS 69

5.1 Introduction .................................................................................................................................................69

5.2 Summary of Key Findings .........................................................................................................................69

5.3 Recommendations ......................................................................................................................................71

5.4 Conclusions ..................................................................................................................................................72

REFERENCES .......................................................................................................................................................73
LIST OF TABLES

Table 4.1: Summary statistics of the variables from 2001 to 2018 .........................61

Table 4.2 The effect of MNCs on GDP ........................................................................66
LIST OF FIGURES

Figure 1: Conceptual Framework ..........................................................................................47

Figure 4.1 Trend of Service sector MNC contributions from 2001 to 2018....................62

Figure 4.2 Trend of Agriculture MNCs contribution from 2001 to 2018.......................63

Figure 4.3 Trend of Oil sector MNCs contribution from 2001 to 2018 .......................64

Figure 4.4 Trend for GDP from the year 2001 to 2018 .................................................65
CHAPTER ONE
INTRODUCTION

This chapter provides information on the background of the study, statement of the problem, objectives of the study, research questions and research hypothesis, significant of the study, delimitation of the study, limitation of the study, definition of terms and the organization of the study on the impact of the multinational corporations on the growth of the Ghanaian economy.

1.1 Background of the Study

Multinational corporations (MNCs) have been one of the engines of global economic development, technology transfer, and deepening globalization. They have developed not only within the domestic corporate framework but also created new subsidiaries in different economies. MNCs cover the full range of business activities from manufacturing to production, agricultural production, chemical manufacturing, service delivery, and finance among others. According to UNCTAD, Africa is one of the developing economies that saw an increase inflow of global multinational corporations (MNCs) in 2012 (Pigato and Tang, 2015).

Global FDI inflows in Africa increased by 15 percent to $ 501 billion (UNCTAD, 2012), however, in 2004, FDI inflows into Africa as a whole remained stable at $ 541 billion (UNCTAD, 2015). As a developing economy, Africa attracts huge foreign direct investment from emerging economies in Asia. Yet China is seen as a strong investor in Africa among other emerging Asian economies. Chinese FDI in sub-Saharan Africa (SSA) has increased rapidly in recent years and focused mainly on Ghana (UNCTAD, 2012). FDI inflows from China amounted to US $ 3.1 billion in 2013, representing 7% of total global FDI inflows to SSA, making China a major trading partner for SSA (Pigato and Tang 2015).
Ghana as a Sub-Saharan African country received a lot of attention from previous investments. These investments intersect major sectors of the economy; agriculture, industry, services, however, most of these foreign investments in Ghana are mainly concentrated in the mining sector for the industrial sector. It has been observed that about 70 percent of total FDI outflows over the past 115 years have moved into the mining sub-sector. Within the service sector, Ghana was able to attract large amounts of additional capital in telecommunications and banks (Fosu et al., 2014). With all the investments in key sectors of Ghana's economy, is expected that this will contribute to socio-economic development to some degree.

Many economies have announced programs aimed at attracting multinational companies to invest in their countries. Ghana issued the Mining Act in 1986, the Investment Act in 1994, and the Free Zone Act in 1995 as laws aimed at providing a conducive environment for investment in industrial sectors and mining in the economy. Outstanding political stability and favorable fiscal stimulus packages have contributed especially to investment law in the operations of multinational companies in the country. Also, the growing oil industry has played a major role over the past five years in attracting large numbers of oil and gas companies and their service providers in Ghana (Onyewuchi and Obumneke, 2013). The political, regulatory and institutional frameworks of the host country are very important in attracting multinational companies in the country. Most multinationals will be reluctant to invest in a country where regulatory institutional actions are perceived as hostile to their businesses such as restrictions on the repatriation of dividends (Christiansen and Augusto, 2002).

A country with an attractive investment climate, however, stands to gain in attracting multinationals. MNCs' decision to invest in a particular country is generally
influenced by the profitability of projects; ease with the operations of branches that can be integrated into global strategies for investors and the overall quality of the enabling environment of the host country (Kristiansen and Augotko, 2002). The objective of the institutional framework is to provide favorable investment to attract multinational companies to support the economic and social development of a country within the periods of expansion ways of employment and contribute significantly to the fight against poverty, add value to agricultural products and support capacity building and strengthening of local capacity. Nonetheless, studies exploring issues about multinational corporations' contributions to Ghana's economic and social development are rare. Therefore, to improve the understanding and participation of multinational corporations in developing economies, this study examines investment projects and the effects of million multinational corporations on the national economy as well as their social roles through corporate social responsibilities (CSR). Investments from multinational corporations have shifted to be one of the sources of revenue in almost every developing country contributing to social and economic development and stability (Latifi, 2004). Their operations are global and host country in different ways and by different classifications. Before exporting their products, some enter the market acceptance test and participate in a foreign country by exporting agents. Other established branches or manufacture plants to reduce operational costs as well as to utilize existing raw materials and favorable industrial conditions (Onyewuchi and Obumneke, 2013). The operations of multinational companies have important implications on job creation, resource mobilization and utilization, technology development and transfer, among others (Rahman, 2016).
1.2 Statement of the Problem

In Ghana, the activities of multinational companies were identified as being questionable or unethical due to damage to society. Because of their formidable resource base, they dominate the economy, straddle the indigenous entrepreneur and in the process create a monopoly (Eluka et al., 2016). In industrialization which is the secondary sector in Ghana, these companies commit common activities such as environmental pollution, insufficient technology transfer, human rights violation, willful refusal to carry out their social responsibilities, gas that destroys wildlife, seafood’s (Gorg and Greenaway, 2002). Equally, the activities of these multinational corporations led to an increase in anti-social activities such as, drug abuse, prostitution, kidnapping, armed robbery and murder (Gerschewski, 2013). Although, multinational companies through their technical operations and CSR contribute positively to socio-economic development and thus facilitate to achieve growth goals, their operations in the development of the economy are sometimes issues for discussion.

Eminent researchers such as Gerschewski (2013), Kok and Ersoy (2009), Kampik and Dasch, (2010) have highlighted concerns such as crowding out local companies, using of the techniques that local company cannot accommodate, reducing their domestic capital stock and tax revenues through unfavorable technology transfer arrangement as well as high capital flights through profit repatriation as negative impacts of MNCs on economies from developing countries.

Against this background, it is necessary to conduct a single study on the impact of multinational companies on the growth of the economy in the context of the Ghanaian economy.
Furthermore, a lot of researches on the impact of the Multinational corporations on the growth of the developing countries have been done, but there have been scarce research on the impacts of the Multinational corporations on the growth of the Ghanaian economy, that is a reason for this study to analyze the impacts of the Multinational Corporation on the growth of the Ghanaian economy.

1.3 Research Objectives

The main objective of the study is to assess how multinationals activities affect the economy of Ghana. In achieving the main objective of the research, the specific objectives of the study are addressed:

1. Examine the trend of MNCs contributions in the service sector, agric sector and oil sector in Ghanaian economy.

2. To determine the relationship between multinational companies in the service sector and economic growth in Ghana.

3. To investigate the relationship between multinational companies in the agricultural sector and economic growth in Ghana.

4. To determine the relationship between multinational companies in the oil sector, and the economy in Ghana.

1.4 Research Questions

1. How is the trend of MNCs in the service sector, agric sector and oil sector affect the economy of Ghana?

2. What is the relationship between multinationals corporations in the service sector and economic growth in Ghana?
3. What is the relationship between multinational companies in the agricultural sector and economic growth in Ghana?

4. What is the relationship between multinationals in the oil sector and the economy of Ghana?

1.5 Research Hypothesis

Following the literature review, we consider that Gross Domestic Product in Ghana is a function of the contribution of MNCs in Agriculture sector, Service sector and Oil sector, amongst other sectors.

Therefore the hypothesis for this study is:

1. **MNCs in Agriculture sector (AGR)**
   
   \[ H_0 \]: There is no statistically significant relationship between AGR and GDP.
   
   \[ H_1 \]: There is a statistically significant relationship between AGR and GDP.

2. **MNCs in Service sector (SER)**
   
   \[ H_0 \]: There is no statistically significant relationship between SER and GDP.
   
   \[ H_1 \]: There is a statistically significant relationship between SER and GDP.

3. **MNCs in Oil sector**
   
   \[ H_0 \]: There is no statistically significant relationship between OIL and GDP.
   
   \[ H_1 \]: There is a statistically significant relationship between OIL and GDP.
1.6 Significance of the Study
Several benefits have been studied by many stakeholders; this study will enable the Government to initiate policies aimed at increasing the flow of technologies and FDI to contribute to the achievement of Sustainable Development Goals (SDGs) to reduce poverty through employment opportunities. It will also enable multinationals to develop good programs such as; Corporate Social Responsibility (CSR) to contribute back to the community in which they operate by expanding access to basic necessities and ensuring human and labor rights of citizens. It is also referred to as a unilateral way of establishing an organization that supports voluntary initiatives. MNCs will enable the initiation of a realistic policy framework in the host country to guide such activities and fulfill the Development Agenda for the country. The study will also serve as a source of reference to students, academicians and researchers interested in this area of study.

1.7 Delimitation of the Study
Geographically the study is limited to multinational corporations and economic growth in Ghana in West Africa. In terms of content, the study was limited to variables such as GDP, agriculture sector output, service sector output and oil sector output as a proxy for economic growth measurement where inflation and exchange rate were used as control variables.

1.8 Limitation of the Study
Limitations are the constraints that may impede the progress and restrict the research delimitation. This may include the availability of data, time of the research and integrity of the data. The research made use of seventeen (17) year’s annual observations from period 2001 to 2018. Because the data is for a reasonable length of time, and different political regimes and dispensations, there is the tendency of
fluctuations in the data that can impede the integrity of the results. The data sample is from selected Multinational companies. This study may also include some biases due to time to submit the research and for that reason there was the tendency to eliminate or ignore some variables in order to achieve certain result for the interpretation and submission of the report.

1.9 Definition of Terms

1.9.1 Multinational Corporation (MNC)
A multinational corporation (MNC) or a global corporation is a corporation that owns or controls the production of goods and services in at least one country other than its home country.

1.9.2 Foreign Direct Investment (FDI)
Foreign direct investment (FDI) is an investment made by a firm or individual in one country into business interest located in another country.

Generally, FDI takes place when an investor establishes foreign business operations or acquires foreign business assets, including establishing ownership or controlling interest in a foreign company. Foreign direct investments are distinguished from portfolio investment in which investors merely purchase equities of foreign-based companies.

1.9.3 Economic Growth
Economic growth is an increase in the production of goods and services over a specified period, to be more accurate, the measurement must remove the effects of inflation.
1.9.4 **Investment**

An investment is an asset or item acquire with the goal of generating income or appreciation. In an economic sense, investment is the purchase of goods that are not consumed today but are used in the future to create wealth. In finance, an investment is a monetary asset purchase with the idea that the asset will provide income in the future or will later be sold at a higher price for a profit.

1.10 **Organization of the Study**

The study is organized into five chapters, chapter one presents the introduction into the topic, and it covers the background of the study, problem statement, research objectives and questions, significance of the study, delimitation of the study and limitation of the study. Chapter Two presents the literature review of previous studies conducted in the study area. The methodology and company profile are presented in the third chapter. The fourth chapter presents the research findings and discussions of data and it also presents the models that were used to analyse the research data. Finally, Chapter Five presents a summary of research findings, conclusions, recommendations and suggestions for the future research.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter presents literature review of previous studies conducted in the field of multinational corporations and their impact on the growth of the Ghanaian economy. The chapter designs with a theoretical review, theoretical framework, conceptual review, economic growth and the empirical review on the effects of multinational corporations on the growth of the Ghanaian economy.

2.2 Theoretical Review
The study is based on theories that are necessary to explain the relationship between multinational corporations and the development of the economy. These theories include new trade theory, asymmetric exchange and dependency theories. According to the study by Tejvan and Pettinger (2013), new trade theory suggests that one of the critical factors in determining patterns of international trade is very large economies of scale and network effects occurring in major industries. New Trade Theory is not primarily about advocating government intervention in one area. It is more than just recognizing that Tier economies are a key factor in influencing the development of trade (Tejvan and Pettinger, 2013). It proposes that a critical factor in determining international patterns of trade is the very substantial economies of scale and network of effects that can occur in key industries. These economies of scale and network of effects can be so significant that they outweigh the more traditional theory of comparative advantage. Economies of scale are factors that cause the average cost of producing something to fall as the volume of its output increases. The new trade theory factor explains the growth of globalization serving multinationals' key agents. It means that the poorest and developing economies may
struggle to develop a particular industry because they lag far behind their first-tier economies in the developed world. The theory suggests that the Government may play a role in promoting new industries and supporting the growth of key industries. The developing economy may need to protect tariff and domestic support to encourage the creation of capital intensive businesses. If industries receive subsidies for a few years, they will be able to exploit economies of scale and thus be competitive without a single government subsidy.

In 1983, the government of Ghana launched an economic recovery programme (ERP), which was geared towards resuscitating the economy by taking advantage of the opportunities offered by the new global environment of free trade, ideally utilizing FDI. The agricultural sector and sub-sectors made a recovery as a result of this policy after a lower performance, especially in 1983 when performance was at its lowest. The Ghana Investment Promotions Centre (GIPC) and the Divestiture Implementation Committee (DIC) are the two major independent bodies that are responsible for promoting investment activities in the country. These firms attract FDI through capital transfer from non-banking firms to foreign affiliates that had newly established operations in Ghana (Spar and Kou, 1995). According to Ahiakpor (1990), the DIC mostly assumes the form of Joint Ventures with state-owned enterprises (SOE).

The world today is a global economy in which countries continually look for partnerships internationally in order to sustain and keep the economies going. These partnerships include foreign direct investments (FDI), international trade and export among others and are aided by information technology. These international partnerships help countries to be innovative and create new and better ways of doing things as well as greater resources to develop, grow and expand their regional
economies. It is in the wake of these benefits that Africa opened its borders to foreign investments.

Foreign direct investment has gained much attention in the world with Africa embracing it to boost the performance of their economies through job creation. This late embrace was as a result of skepticism as to its virtues as well as historical and political factors; however, Ghana and other African countries have made strenuous efforts to attract more FDI through institutional and legal frameworks (Ajayi 2006). In spite of this, most of the FDI flows have concentrated in the developed countries, although its importance for developing countries is undeniable. Foreign Direct Investment inflows into developing countries reached its highest level ever ($500 billion)—a 21% increase over 2006 (Weissleder 2009).

Despite the fact that about 75% of the world’s poor live in rural areas and are predominantly engaged in agriculture, these sectors have suffered neglect and underinvestment over the last two or more decades with merely 4% of official development assistance going to agriculture in developing countries (World Bank 2007). In Ghana, the food and agriculture industry plays a major role in the economy as can be seen from 1990 to 1999, where the sector contributed an average of 41.3% to gross domestic product and 12.2% of national tax revenue made possible with both local and relatively lower direct investment (Djokoto 2012). Over the years however, agriculture’s contribution to gross domestic product has dwindled from 35.4% in 2006 to 34.3% in 2007 and to 33.59% in 2008 recording a slight increase of 34.07% in 2009. The growth rate of the sector does not show any clear trend as was the case in 2006 and 2007 with the country recording 4.5% and 4.3% respectively. This steady reduction is due to the declining arable land to ‘galamsey’ as well as the
effect of global warming, high production costs, rapid population growth and the resulting need for human settlement and rising urbanization. In view of this, significant improvements are required to boost agricultural performance and growth in order to increase output through technological innovations and efficiency.

Subsequently, FDI plays a very significant role in increasing growth in the agricultural sector by offsetting the investment and technological gaps, mainly as a result of limited income and sources of credit. According to Krugman and Obstfeld (2009), the most distinctive feature of FDI is that it encompasses the transfer of resources and acquisition of control. The government of Ghana has therefore put measures in place to attract FDI by offering special incentives so that the agricultural sector will benefit from technological spill-over to ensure growth. Such FDI inflows have been shown to play an important role in promoting economic growth, raising a country’s technological level and creating new employment in developing countries (Blomström and Kokko 2003; Klein et al. 2003; Borenzstein et al. 1998).

In the light of the above, FDI has been seen as a major stimulus for growth in the agricultural sector through an increase in technology as well as job creation. (OECD/FAO 2012).

An essential implication of the result is that FDI to the agricultural sector has a significant effect on economic growth. It is recommended that policies and incentives to foreign investment and institutional set-up of farmers should be encouraged to play an important role in promoting investment to the sector. It is important that government policies concentrate on FDI inflows to the agricultural sector since it accelerates growth across the board. To this end, there should be well-defined policy
that would encourage the provision of infrastructure to support investors that are ready to invest funds into the agricultural sector and the economy at large.

Since trade openness causes economic growth, the achievement of a certain degree of development may be a pre-requisite for the country to expand and make its trade policies more flexible. In addition, there is the need to improve the country’s attractiveness to multinationals operating in the agricultural sector for inflow of foreign direct investment to the agricultural sector. Since economic growth does not depend solely on macroeconomic indicators or political stability, the Ghana Investment Promotion Centre must be encouraged to develop policies that would attract more foreign direct investment into the agricultural sector to improve economic growth.

Global oil consumption has increased significantly in the past two decades, and this trend is expected to continue. From 1990-2010, world crude oil consumption increased by about 36%, from 64 billion barrels per day (bpd) to about 87 billion bpd (EAI, 2013), not surprisingly, the increase in the demand for energy has led to an increase in oil prices—the world price of crude oil increased by 196% in real terms from 1990 to 2010, from $23.66 per barrel to $69.99 per barrel in constant 2005 prices (WDI, 2013). The price boom has fuelled a rise in profits in the extractive industry. The surge in the demand for oil, the high oil prices and the increase in profits has led to a substantial increase in the exploration and production of oil around the world, in particular in Sub-Saharan Africa (SSA). Indeed, the data suggest that the rise in the global demand for oil is being met by increased oil production in SSA (we expound on this in Chapter 6). Specifically, there has been a significant increase in oil exploration in the region. We use Tulow Oil plc, one of the largest multinational
corporations (MNCs) in the oil industry, as an example to illustrate this point. Tulow’s expenditure on oil exploration and appraisal in Africa increased by about 32% from 2008 to 2009: from $294 million to $387 million. Meanwhile, the company’s expenditure in the other regions declined over the same period: by 50% in Europe, 50% in South Asia and 42% in South America. Furthermore, the African expenditure accounted for 84% of the company’s total exploration expenditure in 2008, and 93% in 2009. Note that oil exploration is extremely risky in that the outcome is uncertain. However, anecdotal evidence suggests that the explorations in Africa have been successful. For example, Tulow reported a 100% success rate in oil explorations in Ghana in 2008, and a success rate of 88% in 2009. Several studies have shown that FDI is crucial for poverty reduction in SSA (Asiedu and Gyimah-Brempong, 2008), although FDI to SSA has increased substantially since 2000, the investments are concentrated in extractive industries.

Ghana is no exception when it comes to the implementation of initiatives to attract FDI into the country. FDI inflows constituted about 36% (US$ 5,755 billion) of the country’s GDP (US$ 16,004 billion) for the 2008 fiscal year (UNCTAD report, 2009), an increase of 115 per cent from 2002. Ghana discovered oil in 2007 and the country expects about 1 billion US dollars as revenue from the oil and gas exploration in respect of royalties, income tax and interest payment with an anticipated unit price of 60 US dollars a barrel per day. According to the Ministry of Energy’s estimate, 120,000 barrels per day is expected in the first phase of the exploration until 2015 (Anticipated Volume of Production-AVP). With the start of oil production expected in late 2010, government revenue and FDI inflow are expected to increase. A country can attract as much FDI with its natural resources, and can accumulate as much revenue as possible from the exploration of these resources but when the revenue is
not well utilized, it becomes a curse rather than a blessing to the country (i.e. resource curse). In terms of job creation, technology and skills transfer, Multinational corporations in oil sector have played an enormous role in Ghana and this also has a multiplier effect in the economy. According to the GIPC estimates of registered projects, MNCs have generated about 72,384 jobs for the Ghanaian population and about 4,652 for non-Ghanaians between the periods of 1994-2002. Areas near oil blocks alone have received about 50% or more of all FDI inflows. A similar trend is expected in Ghana with Secondi/Takoradi and Accra being the most likely to benefit more from oil related investments. The twin cities of the Western region of Ghana, Secondi and Takoradi, are the nearest cities to most of the oil blocks and are thus expected to play host to a lot of oil related investments. Accra on the other hand is the commercial and administrative nerve centre of Ghana and is also expected to benefit directly and indirectly from oil led FDI inflows.

2.2.1 The Theory of Unequal Exchange

The theory of exchange evenly explains the position in the development of the economy. According to Arghiri (1972), underdeveloped countries are exploited through the exchange process. In the world of international trade, when the MNCs sell their goods at undervalues and at the same time buys goods from developed countries above value; this provides an off way of development of evolution. In an advanced economy, our crude oil is sold at a very low price for multinationals that refines it and sells it to us at extremely high prices.

2.2.2 Growth Theories

Growth theory provides one theoretical opportunity to monitor and interpret economic growth in the global economy. Growth theory is a way of understanding the factors that stimulate economic growth within a single country by providing models,
mechanisms, interpretations and a predictive framework. Many theoretical attempts and empirical attempts have identified factors that can promote economic growth and performance in arrangement to provide suggestions for policymakers to bridge the gap between developed and developing countries and to create sustainable development (De Jager, 2014), therefore, this section is focused on the growth theories, namely the exogenous growth theory and the endogenous growth theory. These closely explore the recent developments in economic growth theories, and investigate the crucial key drivers of economic growth in the short-run and in the long-run, and how they work.

2.2.3 Dependency Theory

The theory of dependence was developed by Boxborough (1974). According to the theory, dependency means one kind of parasitic relationship that exists between high industrial and less developed entities in such a way as to ensure continuity from the former at the expense of the later. The theory defines the relationship between economic development and multinational corporations, especially their owners. This theory represents the complex political and economic relationship between the advanced capitalist countries of the center and other countries in the ocean such as movement and the determinant structure determinatively identifying those associated with the author in some way in proportion to the economic trends. Countries, such as Ghana, that once experimented with the dependency theory have achieved neither prosperity nor significant economic independence. Instead, they have suffered greatly from poverty, misery, and greater reliance on international aid and benevolence (Ahiakor, 1985).
2.2.4 *Endogenous Growth Theory*

In the mid-1980s, external growth theory became theoretically unsatisfactory in explaining the determinants of long-term growth (Barro and Sala-I-Martin, 1992). Therefore, Inner Growth Theory was invented by Romer in his 1986. He wrote a book which focused on two factors. He stated that economic growth is derived from the balance of human capital and then from technological changes (De Jager, 2014). The mechanism concerning the stock of human capital is that the business grows by 1% of the population. This means that growth stimulates an exogenously constant rate. Thereafter, this growth is stimulated by increasing the number of manpower multiplier technology, which means that this growth is internally promoted through workers opening of technology in exchange (De Jager, 2014). However, the main advantage of this first chapter is the lack of a small return on capital (Ho et al, 2014). Therefore, technological progress in the form of the new generation is a decisive factor in the transition to diminishing due to capital in the long run. The Theory shows that technological progress has been improved internally by taking first knowledge of research and development (as one example) and that the development of this knowledge can create positive externalities and positive results (Barro and1Sala- I-Martin, 1995).

As a result, Research and Development (R&D), the accumulation of human capital and spillovers are considered as determinants of long-term economic growth (Meyer, 2003). Indirect effects occur when knowledge created by Research Development (R&D) in one country creates positive effects in other countries (De Mello, 1997). The theory of internal growth defines economic growth as the long-term drive by introducing of the new technological processes of production in the country, and that FDI is supposed to be more productive than DI (De Mello, 2013; Herzer et al., 2013).
So the FDI promotes economic growth through techniques, these offset diminishing capital, the effects of return by strengthening current stock knowledge through mobility work and training skills, and through management skills and organizational arrangements (Romer, 1990; Barro and Sala-I-Martin, 1992; De Jager, 2014). Furthermore, FDI is expected to enhance the existing stock of knowledge in the future economy, through training and skills of staff, technology acquisition through the introduction of alternative management practices and organizational arrangements. In general, the existence of various forms of externality prevents the unrestricted decline of the marginal productivity of capital. As a result, foreign investors can increase productivity in the host economy and foreign direct investment can catalyze the advancement of DI and technology. Also, the most important mechanism through which FDI promotes growth in the host is expected to achieve significant impact (De Mello, 1997; Borensztein et al., 1998). Thus, economic growth can increase additional working hours (De Jager, 2014). Although the biggest hold back in this theory is that it is an invalid prediction in the convergence of growth to allow the homogeneity of different economies and their growth patterns (Ho et al., 2014).

2.2.5 Solow Growth Theory

The role of Foreign Direct Investment (FDI) in stimulating economic growth is one of the controversial issues in the development literature. In the Model Type II Growth Model, FDI enables countries to achieve investments that exceed their domestic savings and to enhance capital. In the long run, given the marginal returns to physical capital, the future economy can converge with stable state growth as if FDI has ever occurred, leaving not always affecting the growth of the economy (De Mello, 2014). The application of the Solow growth model demands that private companies invest in traditional types of capital such as bulldozer, steel mills and newer types of capital.
such as computers and robots. On the other hand, the government invests in various forms of public capital, which are called infrastructures, such as roads, bridges and sewage systems.

2.2.6 Neoclassical Theory

According to the neo-classical theory, FDI affects income growth by increasing the amount of capital per person. It spurs long-term growth through these variables, Research and development (R&D) and human capital. Through technology transfer to its subsidiaries and technological extensions to non-subsidiaries in the host economy, MNC can accelerate developing new products intermediate goods, raising quality products, facilitating international cooperation on Research and Development (R and D), and introducing new forms of human capital (Ikiara, 2003). Bajona and Kehoe (2006) discussed illustrations of multinational production based on classical theories of the capital movement and trade within the structure of the Hecksher-Ohlin framework. However, they criticize these theories because they were built on the assumption of an ideal factor and commodity markets, and thus could not provide a satisfactory explanation about the nature and pattern of FDI. However, they say that having risks in investment implies that there are advantages which must be distinguished to locate in particular host countries.

2.2.7 Theory of Economic Geography

Yarbrough and Yarbrough (2002) discusses theoretical models of economic geography that attempt to interpret the FDI spatial location. They assume that the decision of Trans-National Corporation (TNC) that relies on locating the investment depends on a set of characteristics of the host company's revenue that affect the company's revenue or costs such as factor additions, market size, per capita income, skilled labor, the availability of public infrastructure, among others, Aiello et, al.
(2009) argues that, other things being equal, the change in infrastructure affects spending on the cost faced by the company in adjusting its existing equity capital to the target level. They argue that this is a reasonable assumption, given that adjustments costs depend not only on the characteristics of the company, but also on external factors, such as providing public infrastructure.

2.2.8 Eclectic Paradigm Theory

The eclectic paradigm of Dunning (1993) provides a framework of three sets of advantages to analyze why and where multinationals will invest abroad. This is the famous property, location and assimilation (OLI) model (or selective model). In this context, it can be an investment; a search for natural resources, a search for a market, a search for efficiency or a search for strategic assets. Ownership benefits refer to company-specific features sometimes called competitive or monopolistic advantages that must be sufficient to offset the costs of establishing and operating a foreign value-added operation, in addition to those faced by original producers. Such features include things like brand, patents, market access, research and development, trademarks and superior technology. These may be deficient in the host country. When foreign firms use such features in exploiting host country opportunities, they employ adverse selection in an imperfect market situation in fostering their activities. Consequently, due to information asymmetries and feature constraints of host country firms, competition with multinationals is difficult. The advantages of ownership, being superior to home country firms, may cause foreign investors to dispose of domestic investments (Miberg, 1996). The Location advantage stance of the eclectic paradigm is concerned with the “where” of production. These include host country-specific characteristics that can influence MNCs to locate an economic activity in that country. They include economic factors such as competitive transportation and
communications costs, investment incentives, availability of comparatively cheap factors of production, policy issues such as tariff barriers, tax regimes, and access to local and foreign markets, among other factors (Buckley and Casson, 1998).

The third factor is the internalization advantage which explains ‘why’ an MNE would want to exploit its assets abroad by opening or acquiring a subsidiary versus simply selling or licensing the rights to exploit those assets to a foreign firm. Yarbrough and Yarbrough (2002) report that though this theory has been criticized for only listing the conditions necessary for FDI without explaining its phenomenon, it has widely contributed to international production theory.

2.3 Conceptual Review

2.3.1 Concept of Multinational Corporation

There are countless definitions in connection with multinationals. It is enough to note the number of properties. In the first place, multinational companies make direct investments in foreign countries. Multinational companies are characterized by a parent company and a group of branches or branches in different countries with a common set of administrative, financial and technical resources. The parent company is fully operational in terms of a coordinated global strategy. Procurement, production, marketing, research, etc. are organized by the parent to achieve its long-term goal of corporate growth. Multinational Corporations have been broadly defined as business firms that uphold value added-holdings overseas (Eluka et al 2016). Hennart (2008) defines MNC differently by envisaging it as a privately owned institution devised to organize, through employment contracts, interdependencies between individuals located in more than one country. Multinational Corporations
according to Kogut and Zander (2003) are economic organizations that grow from their national origins to spanning across borders.

Hill (2005) viewed Multinational Enterprise as any business with productive activities in two or more countries. According to him; certain characteristics of multinational companies must be determined initially because they serve, in part, as their distinctive features. Multinational corporations are usually very large corporate entities, with their “home country” operating in at least one country, but in many countries, which are often referred to as “host countries”. Kim (2000) in agreement with this proposition envisages Multinational Corporations as very large entities having a global presence and reach. Multinational corporations (MNCs) can spur economic activities in developing countries and provide an opportunity to improve the quality of life, economic growth, and regional and global commons (Litvin 2002).

According to Spero and Hart (1999), a multinational company (MNC) is a business enterprise that maintains direct investments abroad and supports value-added holdings in more than one country. A corporation is not truly multinational if it operates only abroad or as a contractor for foreign companies. A multinational company sends abroad a combination of capital, technology, management talents, and marketing skills to carry out production in foreign countries. Dunning (2008) supports the same view and defines MNC as an FDI organization that owns or, in some way, controls value-added in more than one country. According to Gilpin (1987) cited in Osugwa and Onyebuchi (2013), ‘the principal objective of multinational corporations is to secure the least costly production of goods for world markets. This goal may be achieved by acquiring the most efficient locations for production facilities or obtaining taxation concessions from host governments. This objective confirms the views of the Marxists who see the MNCs as progressive agents of capitalism. A
A multinational company lies in the fact that its managerial headquarter is located in one country while the company carries out operations in several other countries as well. Okwandu and Jaja (2001) define it as a large enterprise with operations and divisions spread over several countries but controlled by a central headquarters. A multinational corporation is an enterprise that possesses at least one unit of production in a foreign country (Meier and Schier, 2001). MNC is an organization owing or controlling enterprises or physical and financial assets in at least two countries of the global economy and opting for a multi-domestic strategy founded on social-economic differences of these countries as a reply to specific local demand. The multinational corporation or enterprise generally consists of the parent company (the resident of one country) and at least one affiliate (resident of another country).

Andreff (2003) defines a multinational company more theoretically as an enterprise whose capital is obtained in the process of international accumulation. Porter (1990) defined a multinational (MNC) as a company with operations in more than one country. It can also be referred to as an international company. The International Labor Organization (ILO) defined a multinational as a company with an administrative headquarters in one country, known as the home country, operating in several other countries, known as host countries. Operations outside the country of origin of the company may be linked to the parent by merging, acting as subsidiaries or having significant autonomy.

### 2.3.2 Importance of Multinational Companies

Multinational corporations through their operations in developing countries may help achieve global development goals. Increased flow of technologies and foreign direct investment to Africa can contribute to the achievement of the Sustainable Development Goals (SDGs) of reducing poverty through employment (UNDP, 2000).
Also, multinational corporations through their Corporate Social Responsibility (CSR) can contribute to a return to the society in which they operate by expanding access to necessities and securing human and labor rights for citizens (Barkemeyer, 2011). It is also noted to signify a particular method of corporate regulation, which supports voluntary initiatives (Utting, 2007). Its effectiveness, however, depends on the existence of a pragmatic policy framework in the host country to guide such activities and to meet the developmental agenda of the country. Moreover, the activities of MNEs in a host country can contribute to improving the productivity of domestic firms as indicated by María Cubillo-Pinilla, 2008. This could indirectly contribute to the profitability of the domestic firms as productivity increase is realized. This, however, depends largely on the receptiveness of the local firms to the new ideas being introduced by the MNEs. Kim Wuhan's previous work (2014) suggests that foreign capital stimulates an economy that creates more jobs. However, the operations of multinational corporations may lead to income inequality by shifting labor demand. Their financial strength may be able to pay wages as well as what local companies can offer. Thus, multinational companies may be able to catch local skilled workers (Rehman, 2016). A positive inter-industry linkage between MNE subsidiary and local suppliers can also result from MNEs transferring technologies/knowledge to their local suppliers. Kok and Ersoy (2009) argue that MNEs and their FDI inflows are very important since they catalyze accelerated socio-economic development of third world countries. They indicated that FDIs serve as vehicles for fast and efficient transfer and adoption of best management practices to domestic firms. The modern and efficient management practices can lead to knowledge transfer to host countries and boost the increased productivity in the local economy (Kampik and Dasch, 2010).
However, this will also be argued largely to depend on the absorptive capacity of the recipient country (Rehman, 2016).

Essentially, the impact of multinationals on local companies can be measured at the industry level (multinationals and local companies in a different industry) and industries within companies (multinationals and local companies in the same industry). Some scientists argue that there may be both a negative and a positive productive effect depending on how the association is perceived. According to Gerschewski (2013), there is a negative relationship between industries due to the congestion of local companies that are not competitive against multinationals. Even though MNEs through their technical operations and CSR contribute positively to socio-economic development and thereby facilitate the achievement of growth targets, their operations in developing economies are being contended sometimes. Studies have highlighted concerns such as crowding out of local firms, use of technologies that local firms cannot absorb, reduction in domestic capital stock and tax revenues through unfavorable technology transfer arrangements as well as high capital flights through profit repatriations as negative impacts of MNEs on economies of developing countries (De Backer and Sleuwaegen, 2003; Gorg and Greenaway, 2002).

2.3.3 Management of Multinational Corporations

Bernadine (2003) identifies three possible models for managing multinational companies. These models include:

2.3.3.1 Polycentric Model

This model treats a subsidiary as a distinct entity with a certain level of decision-making authority. According to this model, both management and supporting staff are competently selected from the local labor market. The only challenge is that in most
cases these local employees are never encouraged to work outside their local environment either in other countries where the company has branches or at headquarters. This model is cheaper in addition to being more adaptable to local conditions.

2.3.3.2 Geocentric Model

This model tries to remove the boundaries and separating lines between the parent company and the subsidiaries scattered all over the globe. It strives to integrate its businesses with relationships based on collaboration and mutual reciprocity (Onodugo, 2012). Under this model, the organization begins to see 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 color. Staff remunerations in companies that are geocentric are generally based on global market rates and standards. Pay and work considerations are solely based on individual contributions to the organization rather than the country of origin.

2.3.3.3 Ethnocentric Model

This model operates under the assumption that management and human resource practices are critical core competencies to achieve the company's competitive advantage and therefore should not be tampered with or compromised (Bird et al, 1998). Under this model, foreign subsidiaries tend to have little autonomy and operations and decisions are usually based at headquarters. The bulk of management personnel are usually dispatched from headquarters and mainly comprise the citizens of the parent company. It is known that most Japanese and American organizations use this approach in recruiting and deploying their staff. Managing multinational corporations require a different set of conceptual tools than in the case of purely
domestic firms. In particular, it is important to understand the fundamental economic, strategic, structural, organizational, and socio-political issues that have impact on the process of international expansion of the firms, on the linkages 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, labor unions, customers and suppliers. Their employment modes such as polycentric, ethnocentric and geocentric should be seriously taken into consideration to achieve effectiveness and efficiency in their managerial process. It is important to note that within the contextual needs of developing countries any model chosen must strike a balance between maximizing its huge labor potential and providing opportunities for technology transfer. A critical look at the models enumerated above, one can suggest that, for multinational corporations to thrive in developing economy, polycentric and geocentric models or approaches to staff selection can be adopted because they increase the chances of technology transfer.

2.3.4 Reducing the Negative Effect of Multinational Corporations

The negative impact of multinational corporations in developing economies can be reduced by the following means, according to the Mazurkiewicz (2003) study:

2.3.4.1 Corporate Environmental Policy

Companies committed to reducing their environmental impacts usually create a set of environmental principles and standards, including often formal objectives. At least, most of these data expresses the company's intentions to respect the environment in the design, production, and distribution of its products and services; obliges the company to comply fully with all laws and bypass compliance where possible; and develop an open book policy whereby employees, community members, and others
can be informed of any potential adverse effects the company may have on the environment (Onwuchekwa, 2000).

2.3.4.2 Green Procurement

To help ensure that their products and processes are environmentally responsible, many companies seek to buy greener products and materials from their suppliers. Some companies participate in buyers’ groups in which they leverage their collective buying clout and power to push suppliers to consider alternative products or processes (Herzer et al., 2013).

2.3.4.3 Green Products

Products themselves may be made more environmentally friendly, for example, the control of emissions, noise, reduced health and safety risks, and reduced energy (Herzer et al. 2013).

2.3.4.4 Environmental Scanning

Before a company attempts to reduce its impact on the environment, it is essential that it gains a full understanding of it. For most companies, this usually involves some kind of environmental audit. The goal of audits is to understand the type and amount of resources used by a company, product line or facility, and the types of waste and emissions generated. Some companies also try to quantify this data in monetary terms to understand the bottom-line impact. This also helps to set priorities as to how a company can get the greatest return on its efforts (Onwuchekwa, 2000).

2.3.4.5 Strict Penalties and Sanctions

These can curb corrupt practices; the government should impose more severe penalties on the directors of companies and threats of corporate closure. Although the government herself is guilty of unethical practices like bribery and corruption she can
still influence operations of multinational corporations positively to reduce the magnitude of their nefarious activities on developing economy (Mazurkiewicz, 2003). Government support can be planned and programmed as a component in a national environmental program. This can be achieved in three broad ways: 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 (Mazurkiewicz, 2003).

2.3.4.6 Employee Training/ Involvement

Corporate leadership recognizes that to be effective an environmental policy must be adopted by employees throughout the organization, not just to those whose work is linked to the environment. To do this, companies must engage in a variety of activities, especially education, to help employees understand the environmental impact of their jobs and support their efforts to make positive changes (Herzer et al. 2013). Some companies go further, helping employees become more environmentally responsible throughout their daily lives, helping them build true environmental ethics. Besides education, many companies create incentives, rewards and recognition programs for employees who demonstrate their environmental commitment.

2.3.5 Concepts of Foreign Direct Investment (FDI)

Foreign Direct Investment

Since the 1980s, the flow of FDI has increased significantly in most developing countries. This is because many developing countries have established broad policies aimed at reducing barriers to international trade and offering tax incentives and subsidies to attract FDI. The general theory is that the flow of FDI promotes and supports economic growth in the host country (Herzer et al., 2013). Macro-economic
level studies confirm the effect of FDI on economic growth. These studies used aggregate FDI flows for a cross-section of countries. And they establish that FDI inflows contribute positively to economic growth in the host economy (Balasubramanyam et al., 1996), relying on particular conditions, such as the level of income, human capital development, the degree of openness, financial development, infrastructure development, and institution development.

In the context of Ghana, diverse views are also expressed regarding the presence of MNC in the country. Williams et al (2017), for instance, deferred the existence of MNCs to the period of the colonial era when companies such as United Trading Company (UTC) Kingsway, Paterson and Zochonis (PZ) among others invaded the country. But, to some writers, the formal history of the MNC is traced to the period after the country gained political independence from the British in 1957. The formal history of MNC in the country for instance is traced to the period after the country gained political independence from the British in 1957 (Samuel, Gifty, Xicang, & Efia, 2013). They trace the history of FDI to the post-independence era, an era in which “the pioneer industries and companies act of 1959” which sought to offer ten-year tax holiday was brought into force. This move was followed by the ratification of the capital investment Act of 1963, to offer varied fiscal and other related concessions to prospective investors conditioned that they adhere to certain rules. One of such conditions was that “foreign private enterprises and enterprises jointly owned by the state and foreign investors be required to invest 60% of their net profit in Ghana as stipulated by Nkrumah’s regime” (Gyebi, Owusu & Etroo, 2013:257). Just like the divergent views expressed in relation to the origin of the MNCs, there are varied explanations regarding what MNCs are, Dabbah, (2010:104) argues that there is a problem in the definition of the MNC, and over the past years, different views
expressing how the term should be defined run through the work of both scholars and international organizations. Michael & Ruth, (1998, 64) opined that though there is no universally accepted definition of the term MNC, an earlier review of the status and literature of multinationals was carried out in 1971 in the “Quarterly Review of Economics and Business” by Yair Aharoni. They argued that Aharoni credited David E. Lilienthal for being the first to use the term “multinational”. They maintained that in April 1960 Lilienthal put forward a definition of “multinational corporations” as “corporations which have their home in one country but operate and live under the laws and customs of other countries as well” (Michael & Ruth, 1998:64) Buckley (1976:1) posited “a multinational enterprise may be defined as an enterprise which owns and controls activities in different countries”. In other words, they are businesses that “either own or control foreign subsidiaries in more than one country” (Baafi, 2009). To Dunning (1992), “a multinational company is an enterprise that engages in foreign direct investment (FDI) and owns or controls value-adding activities in more than one country”. Michie (2011:97) opined that “a corporation could be classified as an MNC according to where it sells, where it produces, whom it employs, where it has its offices and so on”. Most of the definitions are tied down to ownership and it is this “ownership of control of productive assets in other countries which makes MNCs distinct from enterprises that do overseas business by simple exporting and importing goods or services” (Baafi, 2009:1). Though the definitions have varied interpretations of what constitutes MNCs, the key distinctive features of the many attempted definitions of MNCs is that they (MNC) are defined in cognizance with where the frontiers and geographies are drawn. In other words, MNCs are tagged or seen generally as bodies that internalize and as well coordinate the economic activities via internationally recognized border. (Blomstrom et al., 1994;
Borensztein et al., 1998; Makki and Somwaru, 2004; Chowdhury and Mavrotas, 2006; Colen et al., 2008). For example, the impact of foreign direct investment may be higher in export promotion countries (EP) than in import substitution countries (IS), after Bhagwati (1978), Balasubramaniam et al. (1996), investigating the role of FDI flow in the economic growth process. This was the case for 46 developing countries and tested the hypothesis that foreign and domestic trade policies have important consequences in attracting FDI inflows and in the impact of FDI on economic growth. They found that countries adopting IS are likely to be less attractive to FDI inflows. 

The impact of FDI on economic growth is not significant. In contrast, the countries that adopted export promoting are probably highly attractive for FDI and the influences of FDI are larger than the effects of Domestic investment on economic growth. Since openness is crucial in determining the effect of FDI on economic growth and efficiency, more honest countries benefit more. According to Alfaro et al. (2004), the impact of FDI on economic growth is favorable for countries that have excellently developed financial markets. Another study by Alfaro (2003) argues that the effect of FDI on economic growth relies on FDI operations. FDI contributes positively to economic growth if FDI operates in the manufacturing sector, negatively in the primary sector and unclearly in the service sector. Razin (2003) argues that the effects of FDI on economic growth depend on the nature of foreign capital inflows into the host country and the degree of development in the host country. A foreign country makes an investment into a domestic country, the parent company is always in abroad and the investments are made in the domestic country. FDI can be in the form of portfolio investment or direct investment in the host country. With direct investment, the parent companies establish their business in the host country and
management is under the country of the parent company. FDI measure was extracted from World Development Indicator (WDI).

2.3.6 Trend of Economic Growth in Ghana

In 1957, Ghana was considered one of the developing countries in good standing and the level of economic development was similar to Thailand and South Korea. The average income was higher than the developing economy, Egypt and India. There was also a shortfall in the balance of payments deficit, a sound budget situation and a well-functioning general administrative system (Fosu, 2003 and Akoena et al., 2014).

Looking back in history, among the external factors that led to the economic deterioration were severe drought in early 1982 to 1983, lower international traditional commodity prices for traditional exports, the return of about 1 million Ghanaians from the developing economy, high interest rates in international financial markets, high prices in the early 1980s and instability Political (Aryeetey, et al. 2000; Fosu, 2003 and Akoena, et al. 2014). These and other factors contributed to the economy recording an average negative growth rate (-3.6%) between 1980 and 1983.

In 1983, strategic measures like the Economic Recovery Program (ERP) and the Structural Adjustment Program (SAP) as the first in a series of strategies, aimed at cushioning the economy, with the support of the World Bank and International Monetary Fund (IMF). Following the ERP in 1983, the economy grew from -4.6% in 1983 to an impressive 8.6% in 1984. The economy has since shown consistent growth rates above the 4% level over the period 1984-2013.

However, in 1992, 1993, 1996 and the latter half of 2013, there was a slow performance of the Ghanaian economy and occasional financial deviations. However, by the beginning of 2000, Ghana's domestic debt had risen to nearly 20 percent of
GDP, with interest payments more than national spending on health and education combined. Besides, Ghana had a legal obligation to service its external debt. In the same year (2000), slow growth was exacerbated by lower prices for the country's main exports and shocks to crude oil prices. As a result, real growth in output fell to 3.7% and aggravated macroeconomic risks (Data Bank Analyst Monthly Report, March 24, 2009). The current account-induced balance of payments difficulties intensified in 2001, leaving the country’s foreign exchange market distorted. The cedi underwent huge depreciation affecting all the various sectors of the economy. In the final analysis, the inflationary situation in the country got worse (Sowa, 2002). The large and persistent fiscal and external gaps created a heavy debt burden that could not be sustained in the early 2000s.

Consequently, Ghana had to seek debt relief under the HIPC initiative in 2001 which led to significant debt reliefs. By 2006, Ghana’s public debt as a percentage of GDP declined to 41% from an estimated 198% of GDP in 2000. However, financing of energy infrastructure and the 50th Anniversary Celebration in 2014, as well as hosting of the African Cup of Nations among others, pushed public debt up to 56% of GDP by the end of 2013. By 2014, Ghana had received a total debt relief of approximately $3.5 billion. This led to an improvement in real output growth since 2001, with sustained increases from 4.0% in 2001 to 8.4% in 2013 (Databank Economic Analyst monthly Report, 2009). This however contracted in the 2009 fiscal year hitting a low of 4.0%. The real GDP growth increased to 14.4% in 2011. The lowest real GDP growth rate was recorded in 2014-2015 at 2.2 % with average inflation of 17.15% and average public debt of 54.83%. In 2016 Ghana GDP was 3.4% with inflation rate of 17.46% and the total public debt of 57.12%. The real GDP increased sharply to 8.1% in 2017 and the inflation rate also drops to 12.37% but the public debt slightly
increased from 57.12% to 57.27%. However, the GDP growth rate drops from 8.1% in 2017 to 6.3% in 2018 with the inflation rate of 12.37% in 2017 to 9.84% in 2018 and the public debt was increased from 57.27% to 59.29% respectively in 2017 to 2018.

2.4 Empirical Review

According to a study by Neil (2004), multinational corporations (MNCs) contributed significantly in terms of income, creating income in two ways (1) income generated through employment (2) profit paid to the government as royalties. Ikelegbe (2005) emphasized that multinationals bring in capital, which is a means of assisting in production, which is carried out with many capital activities in various sectors of the economy such as; industries, agriculture and services. These activities contributed to increased production in the economy, as well as job creation (Enwereuzor, 1998). Edem (2004) stressed that the activities of the multinational corporations create large employment opportunities for the citizens of the country. Kodjo, (1999) observed that, although criticism admits that multinational corporations might have well created jobs and at the same time employed capital intensive technologies which are inconsistent and Inappropriate with the Factor Endowment of the third world countries. But on the whole, it must be admitted that foreign companies have provided substantial employment to a large number of developing economies. This has gone a long way to alleviate unemployment problems in the country (Ake, 1998).

Odogbor (2004) reaffirmed that over 70% of the working population in developing economy are in the agricultural sector while the remaining thirty percent 30% is shared both in the public and private sector of which the multinational corporations belonging to the private sector play a very significant role. It has been observed that these corporations generally pay their employees' high salaries and provide generous
fringe benefits than domestic firms’ hence the tendency is for most workers to prefer seeking employment in the private sector than the public sector. Mbanefor (2003) assumed that based on the profit that multinationals have realized they pay their employees generally higher salaries and offer additional benefits compared to local companies. Onuoha (2005) reiterated this goes a long way to raising the standard of living of employees. Third World countries are generally assumed to be direct or indirect action in transferring capital from a capital-rich country to a capital-poor country. Awobajo (1981) stated that multinational corporations through economic activities pay royalties and project tax to the government and in the process of increasing government income. Multinationals dominate the private sector, which is already an oil exploration and has contributed significantly to the growth of the economy (Andabai, 2006). Ogbogbo (2005) opined that, another factor that contributes to the development of multinational corporations in developing economy.

Nwankwo (2002) observed that, the transfer of technology to developing countries according to some schools of thought multinational corporations can assist in bridging the ever-increasing gap between the industrialized countries of the North and the agrarian countries of the south” by sharing their advanced technology with the less develop countries (LDCs) so as to help them increase their productivity, on which rapid economic growth depends. According to Eleazu (1995), much more controversial is their contributions in the so-called transfer to technology, by technology we include organizational and managerial skills that these companies can be (eradicated) with the training of the managers that exist today in the private sector. According to Olukoshi (2004), the multinational corporations (MNCs) have streamlined with contractual base on their activities.
The scientific and technological revolution and more sophisticated production call for a better quality of new enterprises and their reliability. Ikelegbe (2005) confirmed that the supply of technology was regarded as the most important contribution of the multinational corporations (MNCs) to the economy of the developing countries. Chairman of Unilever developing economy Limited Tlif Hover, expressed this in a speech which they declared in a general meeting in London and Rotterdam respectively in May 1976. He declared that ‘companies, like ours, which can draw on a large base in the industrialized world and on many years of experience in developing countries, are an effective instrument, managerial skills, organizations, and technical know-how’. Kehinde (2007) stressed that, these contributions make the effect on foreign investment in the economy of the host country much larger than that of the bearing figures of investment in financial terms would suggest, though, in most cases technology transferred are appropriate and disquietly guided, the fact still remains at most of the technologies transferred by the multinational corporations to the development of a nation.

Ajala (2005) noted that in the field of employment, the above category in their study of multinational corporations shows that corporations use more capital per employer and because of this phenomenon, multinational corporations are unable to employ a large number of labor from host countries where there is employment. Onimode (1999), accused multinationals of contributing to Africa's unemployment crises. Alapiki (1996) argued that the four main sources of unemployment created by the multinational company were the initial spread of African labor, repressive taxes, alienation inappropriate capital-intensive technology and the impact of employment on Africa through expatriates.
Adebisi (2005) reemphasized other charges against foreign investment by these class centers on its effect on local indigenous enterprises. For instance, Marta (2001) emphasized that the expansion of private foreign investment and the development of entrepreneurship among indigenous peoples may naturally reinforce each other in the early stages of the participants. Agbo (2005) emphasized that they tend to become competitors and opponents in later phases, and the higher the cost of a multinational company in these later phases, the less space for indigenous industries to develop. Hassin (2008) argued that one of the radical economic backwardness of most multinational host countries is a long period of private foreign investment. Isike (2004) argued that failure to stimulate indigenous entrepreneurship in developing economy can be attributed to capital shortage, inadequate managerial skills, and negative socio-cultural and motivational characteristics of the world of private indigenous and private foreign investors in the economy. Odorgbor (2004) argued that, in particular, the foreign-owned commercials banks which dominated the credit system had demonstrated a strong unwillingness to help indigenous business to rise.

Multinational corporations are gradually harassing and gradually eliminating local emerging industries, but wrongly making the national economy fall prey to such a multinational giant that confidently turns to take exclusive profits to sustain them. This trend according to Umutula (2006) is the common form of horizontal and vertical integration of major and related economic activities under the dominance of multinational companies. Odogbor (2001) noted that those who have argued that private foreign investment extracts more than they put tend to support it by the fact that in the long run, profit transfers generally exceed investment flows and these vices were seen by Kodjo (2010) as those foreign investors who are neither humanitarian nor unselfishness in their dealing with developing economy. Sherlock (2007) also
stated that there is selfishness and therefore gives priority attention to the host countries. This argument concludes that the net foreign private investment contributions to the host country are negative. Ady (2004) emphasized that the impact of the balance of payments on foreign investment in the LDCs on the balance of payments side is an initial positive impact of capital flows from developed countries, in the long run, repatriation of profits and the possibility of non-investment from which they will not complain during this period. According to Andabai et al (2006), it is believed that multinational corporations do participate in promoting national development, but the level of such participation shows more evidence of failures rather than achievement, and as such has been ignored by most areas of operation. Awobajo (2006) reaffirmed that there is a strong belief in public opinions in developing economies that the operation of oil multinationals has done more harm than good to areas of which its activities are carried out. Nwosu (2008) concluded that as a result of oil operations in these areas Multinational Corporations had been described as an agent of bringing economic and social degradation in their communities.

According to Ebino (2001), a multinational company of various dimensions can be seen, first, considering the proportion of total labor or asset sales or profits from foreign operations. Second, the most appropriate criteria may be the contribution of foreign-owned Multinational Producer Corporations (MPES) to domestic production, capital formation, or the impact of foreign labor of domestically-owned multinational producing enterprises on payment balances.

Isike (2004) stated that the value of goods and services produced within certain geographic boundaries and also the calculation of GDP takes into account the output of citizens and non-citizens living in a country. The multinational company dominates
the private sector and in fact, oil exploration has contributed significantly to the growth of the country's economy.

In accordance with their view, Sakyi, Commodore & Opoku (2015) show that “the interactions of FDI and exports have been crucial in fostering economic growth” (2015:10), this was revealed after their investigation into the long run impact of FDI and the impact of trade openness on Ghana’s economic growth for the years between 1970 and 2011. They, thus, recommended among other things that FDI should be channeled into areas that the country has a comparative advantage and FDI and export strategies should be harmonized in long-term development plans. Also, after looking at FDI and employment in host countries using Ghana, Abor and Harvey (2008) concluded that FDI “should be considered an integral part of the Ghanaian economic policy in order to spur on economic growth” (2008:213). Also, Abor et al in their article entitled ‘how does FDI affect the export decisions of firms in Ghana’ concluded that “overall, the result of the study demonstrated that FDI has a positive effect on firms’ decision to export as well as their export performance. This is explained by the fact that FDI brings on board improved technologies and management skills that would translate into efficiency and productivity and thus the decision to export would depend on the ex-ante productivity” .(2008:461). Joseph & Oteng-Abayie (2006) in using a bivariate causality analysis between FDI inflows and economic growth in Ghana concluded that there is no positive correlation between FDI and growth during the period before Ghana adopted the Structural Adjustment Program (SAP). A positive unidirectional correlation was however established during the period after the implementation of the Structural Adjustment Program (SAP). A recent research study by Tee, Frank & Rebecca (2017), Boakye & Gyamfi (2017) on the effect of FDI on Ghana’s growth revealed that FDI has positively impacted the
economic development of Ghana. According to their study, the increasing flow of FDI in Ghana has led to a significant increase in the country’s GDP making FDI the key driver for Ghana’s economic growth and development. FDI their findings conclude does not only boost capital formation in Ghana but it also enhances the quality of the country’s capital stock. However, Gifty et al, (2013), George (2014), George and Nsoah (2012), and Sackyi, Commodore and Opoku (2015) all ignored the fact that the perceived benefits they are dreaming for the country would not come if the country does not have in place the needed conditions such as human resource to benefit from the presence of FDI in the country.

2.4.1 GDP Growth as an FDI Attractor

Many empirical studies have found that economic growth is an incentive for FDI inflows. Such studies include Al Nasser (2010); Kandil (2011). There are therefore several rationales behind foreign investors scouting for fast growing markets. They include, cost efficiency of production and realization of economies of scale and scope in production are closely linked with market size (Blonigenetal, 2007). This presupposes that a higher economic growth signals the size of the potential market which intends attract FDI inflows. That implies that growing economies provide growing prospects for profitable investments.

However there are several empirical studies that showed that economic growth has negative impact on FDI. That is, Economic Growth as a deterrent to FDI. They include Buchanan et al (2012), Jensen (2003) etc. They all found significantly negative impact of economic growth in attracting FDI in developing countries. This could be caused by a recession in the host country; could attract some types of FDI especially mergers and acquisitions. This can drive labour and capital cost downwards and thereby improves the cost structure of the firm.
A negative link between economic growth and FDI could also emerge if low economic growth means greater opportunities for future profits.

Notwithstanding the above, it is entirely possible that market size and market growth might not be important. Consideration for export oriented and extractive motives for FDI, Torrisi (1985). This however brings to bear the need to include GDP growth in the model to access its significance in the Ghanaian perspective.

The size of the host market affects the amount of FDI inflows. Large markets are more likely to attract FDI because of an expected stream of future returns, for which China is often cited as an example. Conversely, small market size attracts less FDI.

Studies of FDI inflows typically control for market size. We follow this convention, using gross domestic product GDP to measure market size. The variable is converted to international dollars using purchasing power parity (PPP) rates for inter country comparability and is logged to deal with its skewed distribution. Data are from the World Bank’s World Development Indicators.

Market size is expected to affect FDI inflows positively. Economic development should affect FDI inflows positively.

There is a vast empirical literature on the determinants of FDI, however only a few of the studies include political institutions (political instability) as an explanatory variable.

Political Institutions could either be autocratic or democratic. Indeed many international development agencies, such as the, World Bank, considers FDI as one of the most effective tool in the global fight against poverty and therefore actively encourage poor countries to pursue policies that will enhance FDI flows.
As new democracies set up democratic institutions that may adversely affect their ability to attract FDI, these democracies may not yet be ready to provide offsetting improvements in property rights protection because they need to consolidate power and avoid conflicts with powerful domestic actors. Over time, however, the consolidation of democratic governance should bring about better property rights protection, improving the prospect of getting more FDI inflows. Countries experiencing a transition from democracy to autocracy would face the challenge of persuading foreign investors into believing the credibility of their property rights.

On one hand, democratic institutions may have a positive effect on FDI because democracy provides checks and balances on elected officials, and this in turn reduces arbitrary government interventions, lowers the risk of policy reversal and strengthens property right protection, North and Weingast (1989).

On the other hand, multinational corporations (MNCs) may prefer to invest in autocratic countries. One reason is that unlike a democracy, autocratic governments are not accountable to their electorates. As a consequence, autocratic governments may be in a better position to provide more generous incentive packages and also offer protection from labour unions (Li and Resnick, 2003).

Thus, the overall effect of democracy on FDI has to be determined empirically and checked against its impact during the autocratic rule since Ghana has experienced both under the sampling period.

Due to the irreversible nature of FDI, the risk of policy reversal (eg changes in tax, laws royalty fees) which may be considered as partial expropriation has a profound adverse impact on FDI (Aseidu et al, 2009).
Li (2009, however, argued that democratic regimes are less likely to expropriate FDI than autocratic governments. He documented that between 1960 and 1990, there were 520 incidents of expropriation and autocratic governments were responsible for about 80% of these incidents.

Notwithstanding the above, FDI in natural resource exporting countries tends to be concentrated in extractive industries. A stable policy environment is important to MNCs in general but more so for MNCs in extractive industries because the exploration and extraction of minerals involves an initial large-scale capital intensive investments (i.e Sunk Cost) a high degree of uncertainty and long gestation periods. This implies that, longevity of government implies, a more stable and predictable business environments; democratic regimes are less preferable because democracies are typically associated with a frequent change of government officials

Additionally, having access to such resources implies having a close ties with the government. Clearly, such relationships are easier to foster under autocratic regimes. The view that autocratic regimes provide a more stable business environment is consistent until the survey result of the Economic intelligence unit (EIU, 2008), where about 62% of the respondents agreed with the statement that authoritarian regimes provide a more stable and predictable business environment.

This FDI-democracy relationship is underscored by the EIU (2008) survey results, where about 52% of MNCs reported that democracy was important to their investment decisions.
2.4.2 Data Sources for Democracy

There are many sources that provide ratings on the level of democratization for various countries. As expected, none of the measures of democracy is perfect.

Typically, Poe and Tate (1994) argued that the Freedom House data on Civil and Political liberties, which are one of the most utilized data in the profession, are biased in favor of Christian nations and Western democracies.

The first measure of democracy, free is derived from the data on political rights published by Freedom House. The data ranges from one to seven. A rating of one implies, “there are competitive parties or other political groupings, the opposition plays an important role and has actual power” and a rating of seven indicates that political rights are absent.

The second measure, polity is derived from the democracy index published in polity IV, and it reflects the openness and the competitiveness of the political process as well as the presence of institutions that foster political participation.

The index ranges from zero to ten where a higher rating implies higher levels of democracy. However, this study used the data from Freedom House.

Overall, political freedom and civil liberties acts to liberate energies and cultivate entrepreneurial and economic conditions conducive for investors and producers. In order to gauge the extent of personal freedom the country ratings by Freedom House are also used.

The political instability score ranges from zero to seven, with higher scores indicating more instability and lower score indicating stability.
2.5 Conceptual Framework

The conceptual framework explains the path of a research study and then grounds it firmly in theoretical constructs. The framework serves as the basis for understanding the causal or co-relational patterns of interconnections across events, ideas, observations, concepts, knowledge, interpretations and other components of experience. Everyone has a conceptual framework about how reality works that allows him or her to make predictions about how A is related to B and what will happen when the two intersect. This allows us to make choices about our behavior on the basis of what we think those relationships are. The following shows the conceptual framework, which shows the relationship between multinational corporations (the independent variable) and Economic growth of a country represented as GDP, the dependent variable.

![Conceptual Framework Diagram](image)

**Figure 1: Conceptual Framework**

Source: Author’s Construct 2019

The conceptual framework indicates that Multinational corporations induce foreign direct Investments in the Ghanaian business sector which affects Economic growth (GDP).
Justification of the Variables

This section gives a brief description on the dependent and independent variables

2.5.1 Independent Variables

2.5.1.1 Foreign Direct Investment-FDI

Theory provides conflicting predictions concerning the growth effect of foreign direct investment. The economic rationale for offering special incentive to attract foreign direct investment frequently derives from the belief that foreign investment produces externalities in the form of technology transfer and spillover. Romer (1993) for example argues that important idea gaps between rich and poor countries exist.

He noted that foreign direct investment can ease the transfer of technology and business know-how to poorer countries. According to this view foreign direct investment may boost the productivity of all firms including those not receiving the capital hence acceleration in economic growth of the country.

However, some theories predict that foreign direct investment in the preexisting trade, price, financial and other distortions will hurt resource allocation and slow growth in an economy (Boyd and Smith, 1992). This therefore, suggests that, theory produces ambiguous predictions about the effects of foreign direct investment. It is for this reason that foreign direct investment has been added to the model to ascertain its impact on growth in the Ghanaian economy.

2.5.1.2 Exchange Rate

It is the relative amount of exchange between one currency for another currency at a given period of time. In this study exchange rate is viewed in terms of the Ghana cedi and the US dollar. The relationship between the Ghanaian cedi and the US dollar is
determined by the demand and supply of the US dollar especially. The scarcity or abundance of the currency could determine the price of the currency which in turn impact on the growth of the Ghanaian economy.

The creation of financial hedging instruments over the last decade could reduce firms’ exposure to the risks arising from unstable currency movements. In addition, for multinational corporations fluctuations in different exchange rates may have offsetting effects on their profitability. As a growing portion of international transactions is undertaken by these multinational corporations, exchange rate instability may have a declining impact on the growth of the Ghanaian economy.

2.5.1.3 Profitability

Multinational corporations generate huge amount of profit from oil, agric and service sectors in the Ghanaian economy. These corporations have siphoned our economy by sending bulk of their profits to their home countries which they could have invested to develop our country, thereby, subjecting us to the whips and caprices of underdevelopment. Consequently, the royalties or pittance paid to the government by these Multinational corporations (MNCs) are so inconsequential that they cannot be invested into heavy industrial projects. Today we are suffering from economic underdevelopment because of capital flight.

2.5.2 Dependent Variable

2.5.2.1 Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is used as a proxy of a country's economic potency and it provides an estimate of the value of goods and services produced in a country in a specified period (Tayeb, 1992).
Studies that have been undertaken to ascertain whether international trade influences GDP assume that as exports increase, ceteris paribus, the GDP of a country rises and spur economic growth.

While GDP is the single most important indicator to capture economic activities, it is not a good measure of societies’ well-being and only a limited measure of people’s material living standards.

Gross Domestic Product, is used as a proxy for the market size and as an indicator for the purchasing power of local consumers. Using the GDP growth rate of a country controls for future market potential. MNC’s look to invest in countries experiencing higher economic growth, during times of higher economic growth in an economy, local opposition to FDI in the host country may be less hostile to a proposed FDI inflow. Similar to Addison and Heshmati (2003), one would expect the growth rate of GDP variable to be positively related to FDI inflows. Many empirical studies use the rate of growth of GDP, as a proxy for the growth of market size. This study however applies GDP growth as a proxy for market size.

2.6 Summary and Conclusion

Development literature has enunciated the contributions of the Multinational corporations (MNCs) to the socio economic development of the Ghanaian economy. Ghana has received a lot of investments from the MNCs that cut across agriculture sector, service sector, oil sector and many more of the economy. Operations of some multinational corporations in the country were discovered to make considerable contributions to the Ghanaian economy and successfully assist government in the achievement of some of the global development goals.

Increased flow of technologies and foreign direct investment by the MNCs to Ghana can contribute to the achievement of the Sustainable Development Goals (SDGs) of
reducing poverty through employment (UNDP, 2000). Multinational corporations through their Corporate Social Responsibility (CSR) can contribute to a return to the society in which they operate by expanding access to the basic amenities such as health, education, water and sanitation and securing human and labor rights for citizens (Barkemeyer, 2011).

It is therefore important for government of developing countries like Ghana to encourage the operations of MNCs in the country.

In conclusion, MNCs have made considerable contributions towards the development of the national economy and again contribute significantly to the achievement of some global development goals in Ghana, however, it is important that Ghana should design strong policy and regulatory framework to enable the country obtain the maximum benefits from the activities of the MNCs.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter presents the steps that were used in conducting the research in the area of assessment of multinational corporations and Economic growth in Ghana. The chapter discusses the research design, the target population, data collection method, assumption for data analysis, data analysis procedures and the model specification.

3.2 Research Design
Research design is the conceptual structure within which the research will be conducted; it is the overall strategy that interprets the different compound of the study in a coherent and logical way in order to address the research problem (Saunders, Lewis, & Thornhill, 2007). The preparation of which is to facilitate the research as efficient as possible providing for the collection of relevant evidence at the least cost, time and energy.

Saunders, Lewis, & Thornhill (2007); Creswell (2003); Cohen; Manion, & Morrison (2007) discussed in their books that there are three major strategies engaged in the conduction of a research work, namely; descriptive, exploratory and explanatory. With this study the researcher is engaging the explanatory research. Explanatory research has to do with finding the relationship between two or more variables. It tends to find out the causal relationship between two variables. This method of research normally takes quantifiable data and the results are mostly quantitative. Questionnaires are commonly used for data collection and research analysis are presented in tables, charts, and statistical models. Furthermore secondary data can be collected and tested against set hypothesis. Therefore, this research is based on the secondary data collection and analysis.
3.3 The Target Populations

The population entails all the three sectors of the Ghanaian economy. This sectors shows where production takes place in an economy. These sectors include agriculture, industry, and service sectors, the distribution gives the percentage contribution of agriculture, oil, and services to total GDP. Agriculture includes Olam Ghana Ltd and Benso Oil Palm plantations (BOPP) were selected. Industry includes mining, manufacturing and oil production. Under the oil sector Tullow Oil and Total Ghana Ltd were selected. Service sector covers government activities, communications, transportation, banking, and all other private economic activities that do not produce material goods, under the service sector Calbank Ltd and Ecobank Ltd were selected (CIA World Fact book, 2018)

3.4 Data Collection Source

Basically, secondary data from the Ghana Stock Exchange (GSE), Central Bank of Ghana (BOG), statistical Bulleting and Financial review for the various years, the International Monetary Fund (IMF), the internal financial Statistics and the World Bank’s World Development Indicators. Time series data for period 2001 -2018, which represent 17 annual observations, was used to analyze the relationship between Multinational Corporations and economic growth in Ghana. The choice period covered by the study, was basically informed by the data available to the researcher, and also developments in the Ghanaian economy over the period of time.

3.5 Assumptions under Ordinary Least Square

Basically, the main objective of this study is to access the impact of multinationals foreign direct investment on economic growth. Based on this objective the study uses, foreign direct investment, Profitability and exchange rate of selected Multinational companies from Agriculture sector, Oil and service sectors. For selected MNCs in
Agriculture sector (AGR), Olam Ghana Ltd and Benso Oil Palm Plantation (BOPP) were selected, Service sector (SER); Calbank and Ecobank were selected, and Oil sector (OIL); Tullow Oil and Total Ghana Ltd were selected.

Basically, the estimating procedure used is the ordinary least square (OLS) or the technique that is used to estimate the model is OLS and for this technique to be robust, certain assumptions have to be outlined. The assumptions are as follows:

1. \( E(U_t) = 0 \) – We don’t test the assumption. (1). the study has included a constant in the model and therefore, this is not tested. That is zero conditional mean for each \( t \), the expected value of the error \( (ut) \), given the explanatory variables for all time periods is zero.

2. Variance of the error is constant \( \text{Var}(U_t) = \sigma^2 \). That is homoscedasticity-conditional on \( X \), the variance of the \( ut \) is the same for all \( t \); \( \text{var}(ut/x) = \text{var}(ut) = \sigma^2 \). This means that, \( \text{var}(ut/x) \) cannot depend on \( X \). It is sufficient that \( ut \) and \( x \) are independent and that \( \text{var}(ut) \) must be constant overtime. However, if this does not hold, we say that the errors are heteroscedastic.

3. No serial Correlation. \( \text{Cor.}(ut,us/x)=0 \), for all \( t\neq s \). This implies that, conditional on \( X \) the errors in two different time periods are uncorrelated. However, if this is false, we say the errors above suffer from serial correlation or auto-correlation because they are correlated across time.

4. No perfect Collinearity. In the sample and therefore in the underlying time series process, no independent variable is constant nor a perfect linear combination of the others.

5. Linear in parameters. The stochastic process \( (x_t, X_{12} \ldots X_{tk}, y_t); \ t=1, 2\ldots n \) follows the linear model where \( ut; \ t=1, 2\ldots n \) is the sequence of errors or
disturbances. That is, the assumption simply states that the time series process follows a model that is linear in its parameters.

3.6 Theoretical Considerations in Modeling Foreign Direct Investments

GDP is used as proxy for Economic Growth Rate measured in United States Dollars ($). The aim is to examine the long term and casual relationship between the level of Multinational Corporations inflow to Ghana and economic Growth. This section unveils the assumptions underlining the selected model (Ordinary Least Square), theoretical consideration in modeling MNCs contribution to economic growth, Model specification, Research Design-Multiple Linear Regression. Similarly, consideration would be given to justification for the choice of regressors, GDP growth as FDI attractor, the selected data and sampling period.

Following the study of Dunning (1977) who provided the first theoretical framework for FDI determinants, the framework actually grouped FDI determinants into Micro and Macro level determinants on why multilateral companies invest abroad. The theory was of the view that firms’ investment abroad is based on three advantages, Ownership (O), Location (L) and Internalization (I). Hence the framework is referred to as the OLI framework. However, Fernandez Aria (1996), categorized factors driving FDI into push and pull factors while Fedderke and Romm (2006) classified these factors as policy and non-policy factors.

Theoretically in measuring exchange rate volatility on FDI model, Goldberg and Kolstad (1995), Kiyota and Urata (2004), Bailey and Tavlas (2007) and Schmidt and Broll (2009) provided frameworks for exchange rate volatility as a key determinant of FDI flows under different assumptions by demonstrating that exchange rate volatility creates uncertainty for investments decisions on both production and returns.
This study however opted for the (OLI) framework in understanding FDI and GDP effect. The variables were therefore selected based on this framework to measure the determinants of GDP.

The study is therefore based on secondary time series data using long term analysis, to check the impact. This is however an explanatory study that uses time series secondary data for FDI inflows in the various sectors in Ghana between the periods 2001 to 2018, a 17 year period. This period is a sample based one available data for real effective exchange rates between the Ghana Cedi and the US dollars and FDI on the IMF (Regional Economic Outlook), the World Bank Country data websites respectively.

Descriptive and inferential analysis is used to analyze data, all in an effort to investigate the relationship between GDP and foreign direct investment in a 17 year period. A correlation was conducted to establish the degree of the relationship between the dependent and the independent variables.

When the location determinants of the FDI are discussed in the theoretical literature, market size and the growth rate of host economies are treated as two of the most prominent factors (Li and Liu 2005). However, the net effect of FDI on economic growth is theoretically ambiguous; FDI might have a positive effect on economic growth, negative effect, or no effect at all.

3.7 Model Specifications

The main thrust of this study is to establish the effect of Multinationals FDI flows on Economic growth. Following from the literature review, the study accesses the relationship using OLS regression analysis incorporating the main macroeconomic determinants;
GDP$_t = B_0 + B_1 AGR_t + B_2 SER_t + B_3 OIL_t + E_t.

Where subscript (t) denote time period, the dependent variable is Country’s GDP. AGR$_t$ is the contribution of MNC in the Agricultural sector, the variable of interest in this study. Given that many countries in Africa are more into agriculture as their primary revenue generation stream. Some MNCs have decided to invest in this area. SER$_t$ is the contribution of MNCs in the service sector. OIL$_t$ is the contribution of MNCs in the oil sector of the Ghanaian economy. $E_t$ represent the Error term in the equation.

GDP$_t = B_0 + B_1 AGR_t + B_2 SER_t + B_3 OIL_t + E_t .......... (1)

GDP$_t = B_0 + B_1 AGR_t + B_2 FDIt + B_3 EX_t + B_4 PR_t + E_t .......... (2)

GDP$_t = B_0 + B_1 SER_t + B_2 FDIt + B_3 EX_t + B_4 PR_t + E_t .......... (3)

GDP$_t = B_0 + B_1 OIL_t + B_2 FDIt + B_3 EX_t + B_4 PR_t + E_t .......... (4)

**Assumptions:**

Regression residuals must be normally distributed.

A linear relationship is assumed between the dependent variable and the independent variables.

The residuals are homoscedastic and approximately rectangular-shaped.

Absence of multicollinearity is assumed in the model, meaning that the independent variables are not too highly correlated.

At the center of the multiple linear regression analysis is the task of fitting a single line through a scatter plot. More specifically the multiple linear regression fits a line through a multi-dimensional space of data points. The simplest form has one dependent and two independent variables. The dependent variable may also be
referred to as the outcome variable or regress and. The independent variables may also be referred to as the predictor variables or regressors.

There are 3 major uses for multiple linear regression analysis. First, it might be used to identify the strength of the effect that the independent variables have on a dependent variable.

Second, it can be used to forecast effects or impacts of changes. That is, multiple linear regression analysis helps us to understand how much the dependent variable will change when we change the independent variables.

Third, multiple linear regression analysis predicts trends and future values. The multiple linear regression analysis can be used to get point estimates.

3.8 Summary of Research Methodology

Research methodology presents the steps that were used in conducting the research in the area of assessment of Multinational corporations (MNCs) and economic growth in Ghana. The research methodology comprise of research design, target population, data collection, model specification and many more.

With this study the researcher is engaging the explanatory research; it has to do with finding the relationship between two or more variables. This method of research normally takes quantifiable data and the results are mostly quantitative.

The target population of the research methodology entails all the three sectors of the Ghanaian economy, these sectors include agricultural, industry and service sectors, under the agric sector Olam Ghana ltd and Benso oil palm plantation (BOPP) were selected, Tullow oil and Total Ghana ltd were selected under the industry sector and Calbank and Ecobank ltd were selected under the service sector.

Basically, secondary data from the Ghana Stock Exchange (GSE), Central Bank of Ghana (BOG), International Monetary Fund (IMF), Statistical Bulletin and World
Bank world development indicators. Time series data for the period 2001 to 2018, which represents seventeen (17) annual observations, was used to analyze the relationship between MNCs and the economic growth in Ghana. The choice period covered by the study was basically informed by the data available to the researcher and also development in the Ghanaian over the period of time. The estimating procedure used to estimate the model is Ordinary Least Square (OLS) and for this technique to be robust, certain assumptions have to be outline.
CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter provides information on the data collection procedures adopted, analysis of the data and presentation. The main aim of this study was to examine the impact of multinational corporations on the growth of the Ghanaian economy. The specific objectives are to: determine the relationship between multinational companies in the service sector and economic growth in Ghana; to study the relationship between multinational corporations in the agricultural sector and economic growth in Ghana, and to determine the relationship between multinational companies in the oil sector and the growth of the Ghanaian economy.

Using the Gross Domestic Product (GDP) as a proxy for economic growth, the study assessed the contributions of the Multinational corporations (MNCs) to GDP over the period from 2001 to 2018.

4.2 Descriptive Statistics

Table 4.1 shows the descriptive statistics for the variables ranging from 2001 to 2018. The mean, standard deviations, minimum and maximum values were presented for selected MNCs in Agriculture sector (AGR), namely, Olam Ghana Ltd and Benso Oil Palm Plantation (BOPP). Under the Service sector (SER), Calbank and Ecobank were selected; Tullow Oil and Total Ghana Ltd were selected under the oil sector. Finally the Gross Domestic Product (GDP) of Ghana was selected as part of the variables.

Results on the effect of MNCs contributions on GDP using the multiple regression of the Ordinary Least Square technique is presented in table 4.2. The regression model specification provides a co-efficient determination ($r^2$) of 68.2% which means that the
explanatory variables explained up to about 68.3% of the dependent variable, Economic growth from the F-test, the study further made use of probability values at the error levels of 1%, 5%, and 10%.

Table 4.1: Summary statistics of the variables from 2001 to 2018

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGRIC ($)</td>
<td>16</td>
<td>745000</td>
<td>281283000</td>
<td>108063740.00</td>
<td>90233719.03</td>
</tr>
<tr>
<td>OIL ($)</td>
<td>18</td>
<td>-279361500</td>
<td>355782000</td>
<td>31344413.89</td>
<td>143393411.61</td>
</tr>
<tr>
<td>SERVICE ($)</td>
<td>16</td>
<td>4479150</td>
<td>415835000</td>
<td>121003287.50</td>
<td>143418211.28</td>
</tr>
<tr>
<td>GDP$</td>
<td>18</td>
<td>273.66</td>
<td>2217.00</td>
<td>1104.05</td>
<td>594.75</td>
</tr>
</tbody>
</table>

Source: Researcher’s computation (2019)

From the table 4.1, MNCs in Agriculture had a mean of $108,063,740.00, standard deviation of $90,233,719.03, a minimum value of $745,000 and a maximum value of $281,283,000. Also, MNCs in the Oil sector recorded a mean of $31,344,413.89, standard deviation of $143,393,411.61, a minimum value of $-279,361,500 and a maximum value of $355,782,000. In addition, MNCs in the Service sector has a mean of $121,003,287.50, standard deviation of $143,418,211.28, with a minimum value of $4,479,150 and maximum value of $415,835,000. GDP has a mean value of $1,104.05 and a standard deviation of $594.75, with a minimum value of $273.66 and a maximum value of $2,217.00.
4.3 The Trend of Service Sector MNC Contributions

This section examined the trend of Service sector MNC contributions for the period of 2001 to 2018.

![Graph showing the trend of Service Sector MNC Contributions from 2001 to 2018](image)

**Figure 4.1 Trend of Service Sector MNC Contributions from 2001 to 2018**

Source: GSE data, 2019

Considering selected service sector MNCs contributions to the GDP in Ghana from 2001 to 2018, an upward trend can be observed. The contributions rose slowly for 2003 to around 2011 where it began to increase slightly sharper till it peaked at 2015. The contributions then fell in 2016 but began a steady increase again till 2018. On the whole the contributions over the years have been increasing but sharply especially after 2011.
4.4 The Trend of Agricultural Sector MNCs Contribution from 2001 to 2018

Figure 4.2 Trend of Agriculture MNCs Contribution from 2001 to 2018

Source: GSE data, 2019

Figure 4.2 shows the trend of contributions from the MNCs in Agriculture sector within the period 2003 to 2018. There was a decline from 2003 to 2008. After 2008 there was steep rise in contributions till it declined in 2014 and rose back up to its peak at 2017. 2018 saw a decline in contributions, however, on the whole the general trend shows an increase in MNC contributions to Agriculture.
4.5 The Trend of Oil Sector MNCs Contribution to GDP

Figure 4.3 shows the contribution of the selected MNCs to the GDP of Ghana’s economy. The results show a slow rise in contributions from 2001 to 2010. The contributions then sharply rose from 2010 to 2011 and plateaued. In 2012 contributions from the oil sector declined until there were losses from 2013 to 2017. This probably had to do with the huge capital investment required to explore and extract the off-shore oil discovered around that period of time. The contributions started rising beyond 0 in the middle of 2017 and 2018 saw some levels of contributions. On the whole the contributions of MNCs in the oil sector to Ghana’s economic growth are very low as seen in the declining trend line.

4.6 The Trend of GDP from 2001 to 2018

Gross domestic product (GDP) is the standard measure of the value of final goods and services produced by a country during a period. While GDP is the single most
important indicator to capture economic activities, it is not a good measure of societies’ well-being and only a limited measure of people's material living standards. Gross Domestic Product, is used as a proxy for the market size and as an indicator for the purchasing power of local consumers. Using the GDP growth rate of a country controls for future market potential. MNC’s look to invest in countries experiencing higher economic growth, during times of higher economic growth in an economy, local opposition to FDI in the host country may be less hostile to a proposed FDI inflow. Similar to Addison and Heshmati (2003), one would expect the growth rate of GDP variable to be positively related to FDI inflows. Many empirical studies use the rate of growth of GDP, as a proxy for the growth of economy and this study also applies GDP growth as a proxy for economic growth.

![GDP Trend](image)

**Figure 4.4 Trend for GDP from the Year 2001 to 2018**

Source: IMF data, 2019

Figure 4.4 shows the trend of GDP over the years 2001 to 2018. The results show a rise in GDP over the years with a slight drop in 2014 and 2015 which quickly turned to an increase in 2016 and has since been increasing. The General trend line shows an increase in GDP.
4.7 The Effect of MNCs Contributions from Various Sectors to Economic Growth

This section tends to answer the major objective of the study; assess the contributions of MNCs to the economic growth of Ghana. The OLS regression provides the results seen in Table 4.2.

Table 4.2 The Effect of MNCs on GDP

<table>
<thead>
<tr>
<th>Source</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>Number of obs = 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>2699514.19</td>
<td>3</td>
<td>899838.063</td>
<td>F( 3, 12) = 8.57</td>
</tr>
<tr>
<td>Residual</td>
<td>1259513.01</td>
<td>12</td>
<td>104959.418</td>
<td>Prob &gt; F = 0.0026</td>
</tr>
<tr>
<td>Total</td>
<td>3959027.2</td>
<td>15</td>
<td>263935.147</td>
<td>Adj R-squared = 0.6023</td>
</tr>
</tbody>
</table>

| GDP | Coef. | Std. Err. | t | P>|t| | [95% Conf. Interval] |
|-----|-------|-----------|---|-------|-----------------------|
| SER | .0011655 | .0008613 | 1.35 | 0.201 | -.0007111 | .0030422 |
| AGR | .0031035 | .0013259 | 2.34 | 0.037** | .0002147 | .0059923 |
| OIL | .0008775 | .0005974 | 1.47 | 0.168 | -.0004242 | .0021792 |
| _cons | 750.9538 | 130.024 | 5.78 | 0.000 | 467.6558 | 1034.252 |

Dependent Variable: GDP

(*- Significant at 10%, **- significant at 5%, ***- Significant at 1%)

Table 4.2 shows the effect of MNCs in Agriculture, Oil and Service sectors on GDP. Generally based on researches and observations agriculture has been known and statistically proven to have a positive impact on the Ghanaian economy. From Table 4.2, a 1% increase in agricultural MNCs contribution will cause GDP growth to increase by .0031035%. The reverse is true. This implies that a positive link exist between agricultural output and economic growth. It is statistically significant at 5%
significance level. Thus, if we increase agriculture output, then GDP growth will also increase. In addition, from the results, it was realized that agriculture sector contributes more to GDP growth than the other sectors of the economy. This is consistent with the findings of Todaro and Smith (2009). [See also Oguchi, (2008); Wayo (2002); Ogen (2003)]. Therefore, if the policy makers channel more investments into the agricultural sector, it will help increase GDP growth in Ghana.

A positive but insignificant relationship between services sector and economic growth was found. A 1% increase in service output will cause GDP growth to increase by .0011655%. This finding is consistent with Oguchi (2008) and Baer Larry Samuelson (2002). The estimated t-statistics which is 1.35 has been found to be statistically insignificant at p= 0.201. Oil MNCs also appeared to have a positive but insignificant relationship with GDP growth. A 1% increase in industry output will cause .0008775% increase in GDP growth. This finding is consistent with Good luck Jonathan (2011) assertion that realization of Nigeria’s vision 2020 lies greatly on the manufacturing sector (see also Parham 1999 and Hall 1998). However the results have been seen to be statistically insignificant at 0.168. This result is however, not surprising because the total contribution of the Oil sector to the GDP of the Ghanaian economy has been very low. This has made the result of the sector not consistent over the study period. The literature shows that, the sector faces several challenges. Osei, (2009) noted that Erratic World oil market, inputs for feeding the industries, increased competition from imports associated with trade liberalization and low levels of aggregate demand associated with substitute energy materials, inadequate infrastructures, power supply, poor transport and harbour facilities coupled with low utilization of installed capacities as a result of obsolete plant and machinery, Litigations on Oil fields by neighboring countries constraint the Oil industry sector to
a large extent. All these problems accounted for the very low performance of the Oil industrial sector over the study period. Hence Hypothesis 1 is supported, but Hypothesis 2 and 3 are rejected.

4.8 Conclusion
Multinational corporations (MNCs) have been one of the engines of global economic development, technology transfer, and deepening globalization. This study is aimed at studying the impacts in the Agricultural sector, service sector and the oil sector. Results from the data gathered revealed a general rise in the contribution of Multinationals (MNCs) in both the Agricultural and the service sectors. However, there was a decline in the contributions of MNCs in the oil sector. The results also show a general rise in Ghana’s GDP over the period 2001 to 2018.

From table 4.2 above, a 1% increase in agricultural MNCs contribution will cause GDP growth to increase by .0031035%. This implies that a positive link exist between agricultural output and economic growth which is statistically significant at 5% significance level. Thus, if we increase agriculture output, then GDP growth will also increase. In addition, from the results, it was realized that agriculture sector contributes more to GDP growth than the other sectors of the economy and therefore the government should put in place some policies and measures that will attract more multinational corporations in the country.
CHAPTER FIVE
SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

5.1 Introduction
This research aimed at examining the impact of multinational corporations on the growth of the Ghanaian economy. The research examined the relationship between multinational companies in the agricultural sector, oil sector and the service sector and the impact on the growth on the Ghanaian economy. The chapter discusses summary of findings, recommendations and conclusions.

5.2 Summary of Key Findings
Recently, Ghana has become a viable environment for investment, the study sought to identify the impact of multinational companies on the economic growth of the Ghanaian economy using data over the period of time thus 2001 to 2018. The ordinary least square (OLS) was engaged in estimating the aforementioned model.

From the analysis and the discussions, the following summaries of major findings were made.

5.2.1 To Determine the Relationship between Multinational Companies in the Service Sector and Economic Growth in Ghana
Services output had the correct response, that is, a 1% increase in services output will cause GDP growth to increase by .0011655% this implies a positive link between services output and economic growth in Ghana, but it was found to be statistically insignificant. There were inconsistencies in the trends of FDI inflows into the Ghanaian economy from the period 2001 to 2018. Surge and fluctuation of MNCs inflows were recorded in between the years.
5.2.2 Study the Relationship between Multinational Companies in the Agricultural Sector and Economic Growth in Ghana

The study found that agricultural output had a positive impact on Ghana’s growth, that is, a 1% increase in agricultural output will cause GDP growth to increase by .0031035%. This implies a positive link between agricultural output and economic growth and. It was found to be statistically significant at 5% level.

The effect of Agriculture sector MNC on GDP was positive and statistically significant as opposed to Oil and service sector contributions which were statistically insignificant.

In addition, from the results, it was realized that agriculture sector contributes more to GDP growth than the other sectors of the economy. This is consistent with the findings of Todaro and Smith (2009). [See also Oguchi, (2008); Wayo (2002); Ogen (2003)]. Therefore, if the policy makers channel more investments into the agricultural sector, it will help increase GDP growth in Ghana. Since economic growth does not depend solely on macroeconomic indicators or political stability, the Ghana Investment Promotion Centre must be encouraged to develop policies that would attract more foreign direct investment into the agricultural sector to improve economic growth. It will be prudent as a nation to focus and encourage more MNCs into the agriculture sector of our economy for Economic growth since the sector contribution was higher than the other sectors as per the study.
5.2.3 To Determines the Relationship between Multinational Companies, the oil Sector, and the Economy in Ghana

Finally the Oil sector also had the correct response, that is, a 1% increase in industrial output will cause GDP growth to increase by .0008775% and it was also statistically significant. Since the oil sector contribution to the GDP is low as compare to agric sector the Government should establishes some policies in order to increase the sector contribution to the GDP of the economy. Multinational Corporation is crucial for poverty reduction in Ghana (Asiedu and Gyimah-Brempong, 2008). It will be prudent as a nation to focus and encourage more MNCs into the agriculture sector of our economy for Economic growth since the sector contribution was higher than the other sectors as per the study.

5.3 Recommendations

Based on the results that emerged from the study, the following policy recommendations are made.

Government must create the necessary environment to attract Multinationals into the economy. For instance, the improvement of the transportation system across the country, improvement in the communication networks across the country, ensure stable electrical/power to encourage industrialization. It is also very important that the government should consider building more infrastructure and rehabilitation of ports and harbors. The government should consider establishing good policy instruments so that the economic variables will improve economic growth in Ghana. Since this study has identified the agricultural sector of Ghana to be the main stay of the Ghanaian economy, more of Ghana’s resources and incentives should be allocated to the agricultural sector in order to attract more multinational corporations in the sector.
5.4 Conclusions

Multinational companies are characterized by a parent company and a group of branches or branches in different countries with a common set of administrative, financial and technical resources. The parent company is fully operational in terms of a coordinated global strategy. Multinational corporations (MNCs) can spur economic activities in developing countries and provide an opportunity to improve the quality of life, economic growth, and regional and global commons. A multinational company sends abroad a combination of capital, technology, management talents, and marketing skills to carry out production in foreign countries. The principal objective of multinational corporations is to secure the least costly production of goods for world markets. This goal may be achieved by acquiring the most efficient locations for production facilities or obtaining taxation concessions from host governments. Multinational corporations through their operations in developing countries may help achieve global development goals. Increased flow of technologies and foreign direct investment to Africa can contribute to the achievement of the Sustainable Development Goals (SDGs) of reducing poverty through employment. Also, multinational corporations through their Corporate Social Responsibility (CSR) can contribute to a return to the society in which they operate by expanding access to necessities and securing human and labor rights for citizens. It is therefore important for governments of developing countries like Ghana to encourage the operations of MNCs in the economy.
REFERENCES


Multinational Enterprises to Economic Development in Ghana: A Myth or Reality.


