

Public Corporation

Public Corporation is a body corporated created by an Act of Parliament or Legislature. Its name is notified in the gazette of the Central or State Government. It is an artificial person with a flexibility of a private sector and the powers of government. They are set up with the objective of carrying out a special type of commercial activity. The powers and functions of Public Corporation are well defined and they are financially independent. These organizations are formed for administering nationalized industries or undertakings. Many service organizations of the government are set up in the form of corporations.

Examples — LIC, Food Corporation of India, Air India, State Bank of India, Reserve Bank of India, Unit Trust of India, Tourism Corporation of India etc.

Definition of Public Corporation —

According to Prof. Robson, "Public Corporation is the most important invention of twentieth century in the sphere of government institutions. It is to be found in one form or another in many



different countries all over the world. Public authorities enjoying various degree of autonomy have existed for centuries; but the Public Corporation of today have special characteristics which distinguish it from older bodies. It was specially devised as an organ of public enterprise and has become the chosen instrument for this purpose in many lands.

### Features of Public Corporation —

- 1- It is a statutory corporation.
- 2- It is formed and operated basically with a service motive. Profits are only a secondary consideration.
- 3- It is under state ownership. The day to day decisions are taken by the management of the corporation whereas major policy decisions are taken by the government.
- 4- It enjoys immunity from Parliamentary inquiry into its day to day working as distinct from matters of policy.
- 5- It is a corporate entity.
- 6- It enjoys perpetual succession.
- 7- It has the power to acquire, hold or dispose of property.
- 8- It can sue and be sued in its own name.
- 9- It is created with a corpus or capital fund. All receipts are credited to



the fund and payments are made from it. It can generate its own funds from its operating surplus and market borrowing.  
The employees are not civil servants but may be on deputation from the government.

Characteristics of Public Corporations -

- 1- Public corporations can be sue and also be sued in the courts of law and thus have their own name and legal personality.
- 2- It is created by an Act of Parliament which also defines its scope of activities. It also defines the powers, privileges and immunities of its members.
- 3- Public corporation is wholly owned by the government and the entire equity capital is held in the name of the government.
- 4- The corporations usually have considerable autonomy in shaping their policies. These have also sufficient financial independence. but at the same time in general principles and policies are laid down and decided by the government.
- 5- The management of the corporation is appointed by the government. Generally, a board is nominated to manage public corporations.
- 6- Public corporations is generally not



08 subject to budgetary accounting and audit-controls  
 09 applicable to government department.  
 10 - The objective of public corporation is  
 11 to provide goods and services to the  
 12 people at reasonable prices.

11 Advantages of Public Corporation -

12 Public corporations have complete freedom  
 13 regarding their internal management. They  
 14 can set their own goals and can't  
 15 decide their own line of action. They  
 16 can devise their own programmes and  
 17 policies.

18 Public corporations are free to take  
 19 quick decisions which is very necessary  
 20 for the success of a business concern.

21 There is no rigidity in their working as  
 22 in case of departmental undertakings. The  
 23 flexibility is necessary in the case of  
 24 business undertakings.

25 Public corporations aim at providing goods  
 26 and services to the public at reasonable  
 27 prices. Though they also learn profits,  
 28 their primary objective is to help  
 29 the people in getting various services.

30 The management of public corporations,  
 31 being in the hands of experienced and  
 32 competent persons, is more efficient  
 33 than that of government department.  
 34 Public corporations are free to employ  
 35 persons according to their own requirements.

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6- It is generally not subject to budget, accounting and audit controls and applicable to the government department and thus, public corporation is at freedom to utilize its funds.

11 Limitations of Public Corporations -

12- Public corporations are created by some Act of Parliament. Any change in the sphere of activities of the corporations involves an amendment in that particular Act. It is difficult and takes more time.

15-2- Autonomy and flexibility which are the main features of public corporation have remained on paper only. All important policies are ~~imp~~ decided with government approval and the management is also appointed by the government. Therefore, the corporations have no real freedom in their working. Consequently, the smooth working of the public corporation is disturbed. So public corporations exercise limited autonomy.

3- Public corporations may indulge in anti-social activities. They may charge higher prices from the consumers or may supply them goods of inferior quality to make up their inefficiency.

4- Though the public corporations are autonomous bodies, still they are controlled

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08 by the government. Public Accounts Committee  
and Auditor and Comptroller General of  
09 India exercise control on public  
corporations.  
10 - These corporations are suitable only  
for organising very big state  
11 enterprises and not suitable for  
small enterprises.

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