

Pinky Rani
Assistant Professor (Guest Faculty)
Department of Economics
Maharaja College
Veer Kunwar Singh University, Ara
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FORMS OF ORGANISATION OF PUBLIC ENTERPRISES

There are three different forms of organisation used for the public sector enterprises in India. These are (A) Departmental Undertaking; (B) Statutory (or Public) Corporation and Government Company.

(A) Departmental Undertaking form of organisation is primarily used for provision of essential services such as railways, postal services, broadcasting etc. Such organisations function under the overall control of a ministry of the Government and are financed and controlled in the same way as any other government department. This form is considered suitable for activities where the government desires to have control over them in view of the public interest.

(B) Statutory Corporation (or public corporation) refers to a corporate body created by the Parliament or State Legislature by a special Act which define its powers, functions and pattern of management. Statutory corporation is also known as public corporation. Its capital is wholly provided by the government. Examples of such organisations are Life Insurance Corporation of India, State Trading Corporation etc.

(C) Government Company refers to the company in which 51 percent or more of the paid up capital is held by the government. It is registered under the Companies Act and is fully governed by the provisions of the Act. Most business units owned and managed by government fall in this category.

Public Sector Enterprises

A. Departmental Undertaking

Example

1. Posts & Telegraph
2. Railways
3. All india Radio (AIR)
4. Door Darshan (TV)
5. Ordinance Factories

B. Statutory Corporations

Example

1. Food Corporation of India
2. Industrial Finance Corporation of India
3. Life Insurance Corporation of India
4. Unit Trust of India
5. State Trading Corporation

C. Government Companies

Example

1. Hindustan Machine Tools Limited
2. Steel Authority of India Limited
3. Hindustan Shipyard Limited

(A) DEPARTMENTAL UNDERTAKINGS

Departmental undertakings are the oldest among the public enterprises. A departmental undertaking is organised, managed and financed by the Government. It is controlled by a specific department of the government. Each such department is headed by a minister. All policy matters and other important decisions are taken by the controlling

ministry. The Parliament lays down the general policy for such undertakings.

Features of Departmental Undertakings

The main features of departmental undertakings are as follows:

- (a) It is established by the government and its overall control rests with the minister.
- (b) It is a part of the government and is managed like any other government department.
- (c) It is financed through government funds.
- (d) It is subject to budgetary, accounting and audit control.
- (e) Its policy is laid down by the government and it is accountable to the legislature.

(B) STATUTORY CORPORATIONS

The Statutory Corporation (or Public Corporation) refers to such organisations which are incorporated under the special Acts of the Parliament/State Legislative Assemblies. Its management pattern, its powers and functions, the area of activity, rules and regulations for its employees and its relationship with government departments, etc. are specified in the concerned Act. Examples of statutory corporations are State Bank of India, Life Insurance Corporation of India, Industrial Finance Corporation of India, etc. It may be noted that more than one corporation can also be established under the same Act. State Electricity Boards and State Financial Corporation fall in this category.

Features of Statutory Corporations

The main features of Statutory Corporations are as follows:

- (a) It is incorporated under a special Act of Parliament or State Legislative Assembly.
- (b) It is an autonomous body and is free from government control in respect of its internal management. However, it is accountable to parliament and state legislature.
- (c) It has a separate legal existence. Its capital is wholly provided by the government.
- (d) It is managed by Board of Directors, which is composed of individuals who are trained and experienced in business management. The members of the board of Directors are nominated by the government.

(e) It is supposed to be self sufficient in financial matters. However, in case of necessity it may take loan and/or seek assistance from the government.

(f) The employees of these enterprises are recruited as per their own requirement by following the terms and conditions of recruitment decided by the Board.

(C) GOVERNMENT COMPANIES

As per the provisions of the Companies Act, a company in which 51% or more of its capital is held by central and/or state government is regarded as a Government Company. These companies are registered under Companies Act, 1956 and follow all those rules and regulations as are applicable to any other registered company. The Government of India has organised and registered a number of its undertakings as government companies for ensuring managerial autonomy, operational efficiency and provide competition to private sector.

Features of Government Companies

The main features of Government companies are as follows:

(a) It is registered under the Companies Act, 1956.

(b) It has a separate legal entity. It can sue and be sued, and can acquire property in its own name.

(c) The annual reports of the government companies are required to be presented in parliament.

(d) The capital is wholly or partially provided by the government. In case of partially owned company the capital is provided both by the government and private investors. But in such a case the central or state government must own at least 51% shares of the company.

(e) It is managed by the Board of Directors. All the Directors or the majority of Directors are appointed by the government, depending upon the extent of private participation.

(f) Its accounting and audit practices are more like those of private enterprises and its auditors are Chartered Accountants appointed by the government.

(g) Its employees are not civil servants. It regulates its personnel policies according to its articles of associations.
