

I. CHOOSE THE BEST ANSWER:

1. The share capital of the government company must not be less than
 (a) 49% (b) 60% (c) 95% (d) 51%
2. Airport Authority of India is a public enterprise. Identify the form of organization
 (a) Statutory Corporations (b) Departmental Undertakings
 (c) Multi-National Corporations (d) State Owned Company
3. The oldest form of organization in public sector
 (a) Public Sector Undertakings (b) Departmental Undertakings
 (c) Multi-National Corporations (d) Statutory Corporation
4. A Government company purchases shares in the name of
 (a) Prime Minister (b) President
 (c) Chief Justice of India (d) State Chief Minister
5. The primary objective of the state enterprises is to -----
 (a) Earn profit (b) Provide Employment
 (c) Serve the People (d) All the Above

II. VERY SHORT ANSWER QUESTIONS

1. State the different types of public sectors enterprises.
 - ❖ Food Corporation of India – New Delhi
 - ❖ Tourism Corporation of India – New Delhi
 - ❖ ONGC – New Delhi
2. What is the basic feature of a Departmental undertaking?
 - ➔ It is easy to set up a departmental undertaking.
 - ➔ Department undertakings can maintain secrecy in their working.
3. Give two examples for each of the following:
 - (i) Private sector enterprises (ii) Global enterprises (iii) Public enterprises
 - ☞ Private Sector Enterprise - Vibro, Reliance
 - ☞ Global enterprises - Philips, Co Cola Corporation
 - ☞ Public enterprises - Coal India Ltd, Steel Authority of India Ltd

4. State the form of public enterprises which is most suitable for projects related to National Security.

- Hindustan Aeronautical Ltd
- Bharat Dynamix Ltd

5. The Industrial Policy Resolution 2001 exclusively reserved for few Industries for the public sector. Name these industries.

- ✧ Hindustan Aeronautical Ltd
- ✧ Bharat Dynamix Ltd

II. SHORT ANSWER QUESTIONS:

1. List the areas where the state or central ownership is a preferred form of business organization. Justify your choice of areas.

- Most of the industrial progress was limited in during the period of pre independence.
- Public sector industries were deliberately set up in these backward regions.
- The government located new enterprise in backward areas.
- *Example: Bhilai Steel Plant in Madhya Pradesh*

2. What are the different kinds of organizations that come under the public sector?

i). Departmental Undertaking

- ✧ It is the oldest form of organization.
- ✧ No distinction was made between the routine functions of the Government.
- ✧ A public enterprise is run as a separate full-fledged ministry.
- ✧ For example, Indian Railways, Post and Telegraph services, All India Radio, Doordarshan.

ii). Public Corporation

- ✧ It is form of public enterprise which is created as an autonomous unit, by a special Act of the Parliament.
- ✧ It is created by a Statute. It is also known as a statutory corporation.
- ✧ Examples: Life Insurance Corporation of India, the Indian Airlines, the Air India International,

iii). Government Company

- “Any company in which not less than 51% of the paid-up share capital is held by the Central Government or State Government or partly by the Central Government and partly by State Governments.

- Section 2(45) of the Companies Act, 2013

- *Examples: Food Corporation of India, ONGC.*

3. List the names of some enterprises under the public sector and classify them.

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|---------------------------------------|-----------------------------|
| ✧ Indian railways | – Departmental undertakings |
| ✧ Indian Post and telegraph | – Departmental undertakings |
| ✧ Bharat Heavy Electricals Limited | – Government Company |
| ✧ Life Insurance Corporation of India | – Statutory Corporation |
| ✧ State Trading Corporation | – Statutory Corporation |

4. Define Departmental undertakings.

- ★ It is the oldest form of organization.
- ★ No distinction was made between the routine functions of the Government.
- ★ A public enterprise is run as a separate full-fledged ministry.
- ★ For example, Indian Railways, Post and Telegraph services, All India Radio, Doordarshan.

5. What is meant by Government Company?

- ♥ Any company in which not less than 51% of the paid-up share capital is held by the Central Government or State Government or partly by the Central Government and partly by State Governments.

- **Section 2(45) of the Companies Act, 2013**

- ♥ *Examples: Food Corporation of India, ONGC.*

IV. LONG ANSWER QUESTIONS:

1. What are the advantages and disadvantages of Departmental undertaking?

a). ADVANTAGES:

i. Easy Formation:

- ✧ It is easy to set up a departmental undertaking.
- ✧ The departmental undertaking is created by an administrative decision of the Government, involving no legal formalities for its formation.

ii. Direct and Control of Parliament or State Legislature:

- ✧ The departmental undertaking is directly responsible to the Parliament or the State legislature through its overall head i.e. the minister concerned.

iii. Secrecy Maintained:

- ☉ Strategic industries like defense and atomic power cannot be better managed other than government departments.
- ☉ Department undertakings can maintain secrecy in their working.

iv. Lesser Burden of Tax on Public:

- ➔ Earnings of departmental undertaking are entirely paid into Government treasury, resulting in lesser tax burden on the public.

v. Instrument of Social Change:

- ✿ Government can promote economic and social justice through departmental undertakings.

b). DISADVANTAGES

i. Red-tapism:

- ☹ There is too much of procedures which results in delay.
- ☹ Commercial organization cannot afford delay in taking decisions.

ii. Incidence of Additional Taxation:

- ☹ Losses incurred by a departmental enterprise are met out of the treasury.
- ☹ This very often necessitates additional taxation the burden of which falls on the common man.

iii. Lack of Competition:

- ☹ Civil Servants are given control of these undertakings who may not have commercial experience.
- ☹ So, they run the undertaking in their own fashion without considering the sovereignty of the consumers.

iv. Casual Approach to Work:

- ☹ As officers of a departmental undertaking are subject to frequent transfers; they develop a sense of casual approach to work.
- ☹ As a result, the operational efficiency of the undertaking suffers a lot.

v. Government Interference:

- ☹ There is an excessive government interference and control.
- ☹ These undertakings are not given freedom to decide their own policies.

2. What are the features of Public corporation? (Any 5)

i. Special Statute:

- ➔ A public corporation is created by a special Act of the Parliament or the State Legislature.

ii. Separate Legal Entity:

- ✿ A public corporation is a separate legal entity with perpetual succession and common seal.

iii. Capital Provided by the Government:

- ✿ The capital of a public corporation is provided by the Government or by agencies controlled by the government.

iv. Financial Autonomy:

- ❖ A public corporation enjoys financial autonomy.
- ❖ It prepares its own budget;

v. Management by Board of Directors:

- ☉ Its management is vested in a Board of Directors, appointed or nominated by the Government.

3. What are the Features of Government Company? (Any 5)

i. Registration under the Companies Act:

- ✿ A Government company is formed through registration under the Companies Act, 1956; and is subject to the provisions of this Act, like any other company.

ii. Executive Decision of Government:

- ➔ A Government company is created by an executive decision of the Government, without seeking the approval of the Parliament or the State Legislature.

iii. Separate Legal Entity:

- ☼ A Government company is a legal entity separate from the Government.
- ☼ It can acquire property; can make contracts and can file suits, in its own name.

iv). Own Staff:

- ☉ A Government company has its own staff; except Government officials who are sent to it on deputation.
- ☉ Its employees are not governed by civil service rules.

v). Free from Procedural Controls:

- ✿ A Government company is free from budgetary, accounting and audit controls, applicable to Government undertakings.

4. What are the advantages and disadvantages of Public corporation?

A). ADVANTAGES

i. Bold Management due to Operational Autonomy:

- ☼ A public corporation enjoys internal operational autonomy; as it is free from Governmental control.

ii. Legislative Control:

- ☉ Affairs of a public corporation are subject to scrutiny by Committees of Parliament or State Legislature.

- ☉ The Press also keeps a watchful eye on the working of a public corporation.

iii). Qualified and Contented Staff:

- ✿ Public corporation offers attractive service conditions to its staff.
- ✿ As such it is able to attract qualified staff.
- ✿ Staff has a motivation to work hard for the corporation.

iv. Tailor-Made Statute:

- ✿ The special Act, by which a public corporation is created, can be tailor-made to meet the specific needs of the public corporation.
- ✿ So that the corporation can function in the best manner to achieve its objectives.

v). Not affected by Political Changes:

- ✿ Being a distinct legal entity, a public corporation is not much affected by political changes.
- ✿ It can maintain continuity of policy and operations.

B). DISADVANTAGES:

i. Autonomy and Flexibility, Only in Theory:

- ☉ Autonomy and flexibility advantages of a public corporation exist only in theory.
- ☉ In practice, there is a lot of interference in the working of a public corporation by ministers, government officers and other politicians.

ii. Misuse of Monopolistic Power:

- ✿ Public corporations often enjoy monopoly in their field of operation.
- ✿ As such, on the one hand they are indifferent to consumer needs and problems; and on the other hand, often do not hesitate to exploit consumers.

iii. Rigid Constitution:

- ☼ The constitution of a public corporation is very rigid.
- ☼ Hence, a public corporation could not be flexible in its operations.

iv). Low Managerial Efficiency

- ☼ Quite often civil servants, who do not possess management knowledge and skills, are appointed by the government on the
- ☼ Board of Directors, of a public corporation.

v. Problem of Passing a Special Act:

- ❖ A public corporation cannot be formed without passing a special Act; which is a time consuming and difficult process.
- ❖ Hence, the scope for setting up public corporations is very restricted.

5. What are the features of Departmental organization? (Any 5)

i. Ultimate Responsibility:

- ✧ The ultimate responsibility for the management of a departmental undertaking lies with the minister concerned.
- ✧ Who is responsible to the Parliament or State Legislature for the affairs of the departmental undertaking.

ii. Governmental Financing:

- ✧ The departmental undertaking is financed through annual budget appropriations by the Parliament or the State Legislature.
- ✧ The revenues of the undertaking are paid into the government treasury.

iii. Accounting and Audit:

- ✧ The departmental undertaking is subject to the normal budgeting, accounting and audit procedures, which are applicable to all Government departments.

iv. Managed by Civil Servants:

- ✧ The departmental undertaking is managed by civil servants, who are subject to same service conditions as applicable to civil servants of the Government.

v. Sovereign Immunity:

- ☯ A departmental undertaking cannot be sued anybody, without the consent of the Government.

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