Departmental Undertakings
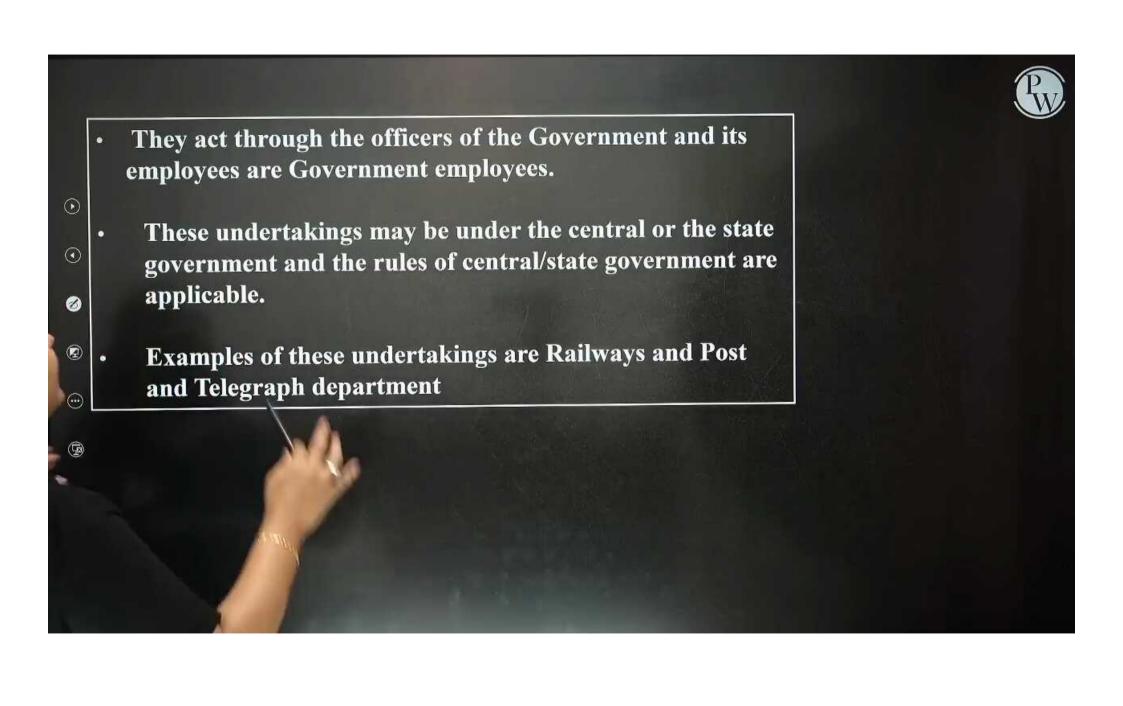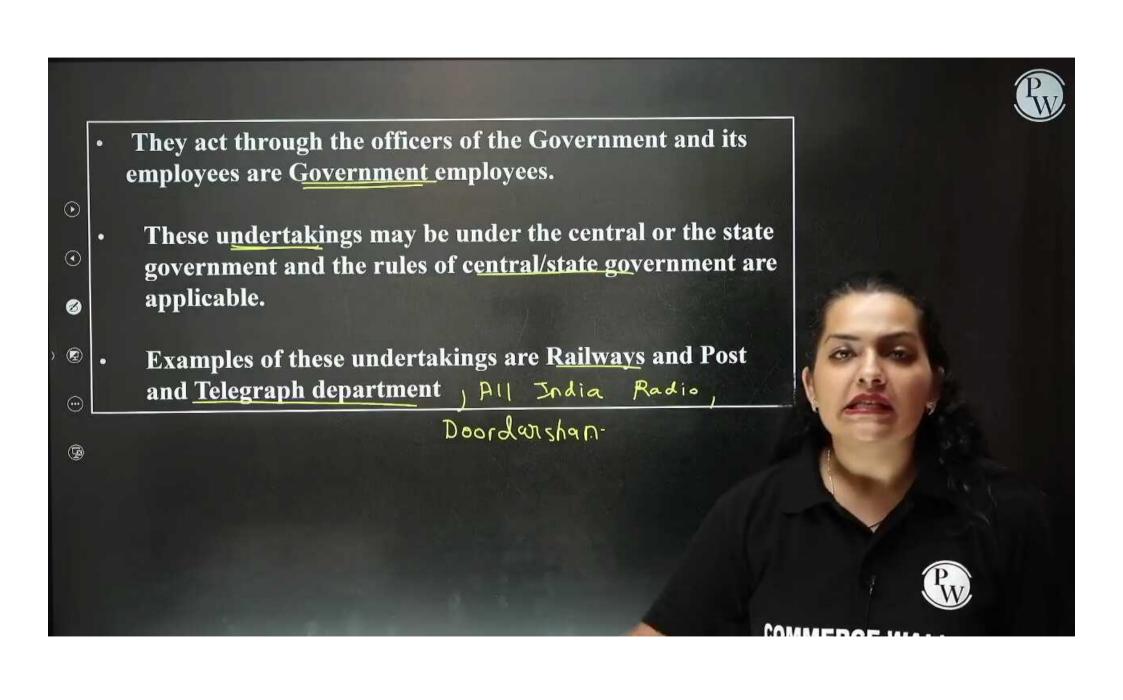
- This is the oldest and most traditional form of organising public enterprises.

- These enterprises are established as departments of the Ministry

- The Government functions through these departments and the activities performed by them are an integral part of the functioning of the government.

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- These undertakings may be under the central or the state government and the rules of central/state government are applicable.

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- Examples of these undertakings are <u>Railways</u> and Post and <u>Telegraph department</u>, All India Radio, Doordarshan.

Features

(i) The <u>funding</u> of these enterprises come directly from the <u>Government Treasury</u> The revenue earned by these is also paid into the treasury;

(ii) They are subject to <u>accounting and audit</u> controls applicable to other Government activities;

Record of Transactions

(iii) The employees of the enterprise are <u>Government servants</u> and their <u>recruitment</u> and conditions of service are the same as that of other employees directly under the <u>Government</u>. They are headed by Indian Administrative Service (IAS) officers and civil servants who are transferable from one ministry to another;

Merits

(i) These undertakings facilitate the Parliament to exercise effective control over their operations;

Answerable & Accountable.

(ii) These ensure a high degree of public accountability;

Accounting & Auditing

(iii) The revenue earned by the enterprise goes directly to the treasury

Government Treasury.

(iv) Where national security is concerned, this form is most suitable.

Limitations

(i) Departmental undertakings fail to provide flexibility, which is essential for the smooth operation of business;

Ministry.

(ii) The employees or heads of departments of such undertakings are not allowed to take independent decisions) ✕

(iii) These enterprises are unable to take advantage of business opportunities. The bureaucrat's over-cautious and conservative approval does not allow them to take risky ventures;

(iv) There is red tapism in day-to-day operations

Red Tapism - the practice of requiring excessive paperwork and tedious procedures before official action can be considered or completed

(iv) There is a lot of political interference through the ministry;

(iv) These organisations are usually insensitive to consumer needs.