

Government Company

- A government company is established under The Companies Act, 2013 and is registered and governed by the provisions of The Act.
- According to the section 2(45) of the Companies Act 2013, a government company means any company in which not less than 51 per cent of the paid up capital is held by the central government, or by any state government or partly by Central government and partly by one or more State governments and includes a company which is a subsidiary of a government company.
- Under the Companies Act 2013, A government company may be formed as a private limited company or a public limited company.

Features



(i) It is an organisation created under the Companies Act, 2013 or any other previous Company Law.

(ii) The company can file a suit in a court of law against any third party and be sued;

(iii) The company can enter into a contract and can acquire property in its own name;

(iv) The management of the company is regulated by the provisions of the Companies Act, like any other public limited company;

Total Shares



More than
50% or
at least 51%
↓
Government

◉ (v) The employees of the company are appointed according to their own rules and regulations as contained in the Memorandum and Articles of Association of the company

◉ (vi) These companies are exempted from the accounting and audit rules and procedures.

◉ (vii) The government company obtains its funds from government shareholdings and other private shareholders

Merits






(i) A government company can be established by fulfilling the requirements of the Indian Companies Act. A separate Act in the Parliament is not required; *Companies Act of 2013*

ii) It has a separate legal entity, apart from the Government;

freedom.
It enjoys autonomy in all management decisions

These companies by providing goods and services at reasonable prices are able to control the market and curb unhealthy business practices.

Limitations

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(i) Since the Government is the only shareholder in some of the companies, the provisions of the Companies Act does not have much relevance;
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(ii) It evades constitutional responsibility, which a company financed by the government should have. It is not answerable directly to the Parliament;
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(iii) The government being the sole shareholder, the management and administration rests in the hands of the government.

Limitations

- (i) Since the Government is the only shareholder in some of the companies, the provisions of the Companies Act does not have much relevance;
- (ii) It even assumes constitutional responsibility, which a company owned by the government should have. It is responsible directly to the Parliament;
- Being the sole shareholder, the administration rests in the hands of

Examples of Government Companies

1. Coal India Limited
2. BHEL
3. SAIL
4. Hindustan Petroleum

Limitations

- (i) In reality, a statutory corporation does not enjoy as much operational flexibility as stated above
- (ii) Government political interference has always been there
- (iii) Where dealing with public, rampant corruption exists
- (iv) There is a practice of appointing advisors to the Corporation which curbs the freedom

Examples of
Statutory
Corporation

1. LIC
2. RBI
3. SBI