

11th Standard -Business Studies

Private, Public and Global Enterprises

Private Sector and Public Sector Enterprises, Forms of Organising PSEs.

Quick Review—

1. Development of infrastructure.
2. Regional balance.
3. Economies of scale.
4. Check over concentration of economic power.
5. Import substitution.

-> Private Sector And Public Sector

1. Departmental undertakings.
2. Government accounting and auditing.
3. Government companies.

Departmental Undertaking —> Features:

1. Direct funding from the government.
3. Service conditions.
4. Control of ministry.
5. Accountability to the ministry.

—> Merits:

1. Effective control of Parliament.
2. Public accountability.
3. Revenue is a source of income for government.
4. National security.

-> Limitations:

1. Lack of flexibility.
2. Delay in decision making

3. Bureaucracy hinders benefits of business opportunities.
4. Red tapism. 5. Political interference.
6. Consumer needs ignored.

Statutory Corporations —> Features:

1. Established/formed by an act Parliament. 2. Owned by the government.
3. Corporate body/structure. 4. Independently financed
5. Independence from government accounting. 6. Own service conditions.

—> Merits:

1. Operational flexibility. 2. Non-interference by government.
3. Autonomous organisation. 4. Valuable instrument for economic growth.

—> Limitations:

1. Flexibility on papers only.
2. Government interference.
3. Corruption. 4. Delays in action.

Government Company —> Features:

1. Created by the Companies Act.
2. File a suit.
3. Enter into contract.
4. Management regulated by the Companies Act.
5. Rules contained in memorandum and articles of association.
6. Audit by Central Government.
7. Government and private funding.

2. —> **Merits:**

1. Ease of formation.
2. Independent status.
3. Autonomy.
4. Good market control.

—> **Limitations**

1. Provisions of Companies Act not relevant.
2. Evades constitutional responsibility.
3. Main purpose defeated.

Know the Terms—

-> **Mixed Economic system:** The economic system in which there is blending of both private and public sector.

-> **Private Sector Enterprises :** All those enterprises which are owned and managed by individuals or group of individuals with profit earning as main objective.

-> **Public Sector Enterprises:** It implies all those enterprises which are managed, owned partly or wholly by Central or State Govt, with the main objective of public welfare.

-> **Red Tapism and Bureaucracy :** The practice of requiring excessive paper work and tedious procedures before official action can be considered or completed due to tall formal organisation structure.

-> **Departmental Undertakings:** Are the public enterprises created, managed and controlled by concerned ministres.

-> **Statutory Corporations** : It refers to the corporate body formed by a special Act of Parliament or Legislative assembly, which defines its powers, duties, privileges and pattern of management.

-> **Financial Autonomy** : Freedom to take financial decisions without any dependence on Govt., Budget and complete right to use the surplus in desired manner.

-> **Managerial/Operational Autonomy** : Freedom to take managerial decisions to run the business without any constitutional or legal restriction, political interference.

-> **Public Accountability** : Answerability for financial resources allocation and final outcome to the Parliament and to audit and accounting control Authority of Govt.

-> **Government Company**: A Government company is a company in which not less than 51% of the paid-up share capital is held by Central or State Governments.