

CENTRAL SECRETARIAT

Meaning

The Central Secretariat comprises of all the ministers and departments of the Central Government. In other words, Central Government, for the purpose of administration, is divided into various ministries and departments. The Central Secretariat is a totality of such ministries and departments. A ministry generally consists of two to four departments. However, there can be a ministry without being divided into departments, like Ministry of External Affairs. Similarly, there can be a department without being placed under a ministry, like Department of Atomic Energy. The ministries and departments are headed politically by ministers and administratively by Secretaries.

Article 77 of the Constitution of India authorises the President of India to make rules for more convenient transaction of business of Central Government and for allocation of such business among the ministers. This is the basis of portfolio system, the essence of which is that a minister is made incharge of ministry/department and he is to issue orders on behalf of the President. Therefore, the concept of a ministry/department originate from portfolio system. The ministries/departments enumerated in the Allocation of Business Rules are collectively known as the Central Secretariat. At present, the ministries/departments of Central Government are governed by the Government of India (Allocation of Business) Rules, 1961.

Historical Perspective

The institution of Central Secretariat originated and developed in modern India during the period of British rule. The following points can be noted in this regard:

- (i) In 1843, the Governor-General of India separated the Secretariat of the Government of India from that of the government of Bengal. Accordingly, four departments, namely, home, finance, military and foreign were set up in the Central Secretariat.
- (ii) In 1859, the portfolio system was introduced by Lord Canning. Consequently, a member of the Governor-General's Council was made incharge of one or more departments of the Central Secretariat and was authorised to issue orders on behalf of the Council.
- (iii) In 1905, the tenure system of secretariat staffing was introduced by Lord Curzon.
- (iv) In 1905, the Railway Board was set up by a resolution of the Government of India. Consequently, the control of railways was transferred to it from the Public Works Department.

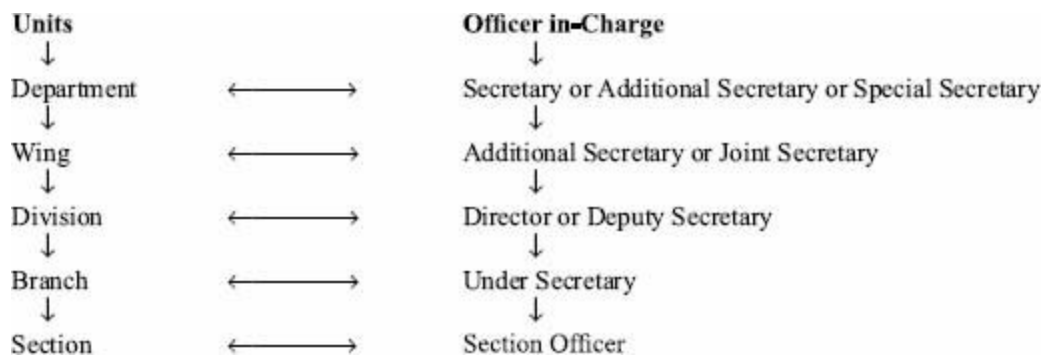
- (v) In 1947, the departments of the Government of India were renamed ‘ministries’. In all, there were 18 such ministries in the Central Secretariat at that time.

Structure of a Ministry

A typical Ministry of the Central Government has a three-tier structure consisting of (i) a political head, that is, a Cabinet minister, who is assisted by minister of state and deputy minister. But sometimes a minister of state may also be the political head of a ministry/department holding an independent charge; (ii) secretariat organisation headed by a Secretary who is a career civil servant. He is assisted by Joint-Secretaries, Deputy Secretaries, Under Secretaries and the office establishment. Thus, a secretariat organisation has two distinct components—the officers and the office, corresponding to the directing and controlling staff, and to the executive and clerical staff respectively; and (iii) executive organisation under a head of the department who is known by various designations like Director, Director-General, Commissioner, Inspector-General, Chief Controller, and so on.

Secretariat Organisation

The following chart indicates the structure and the hierarchy of officials of the Secretariat organisation of a ministry.



A ministry is primarily divided into departments. Each department is divided into wings. Each wing is in turn divided into divisions which are further divided into branches. And Finally, each branch is divided into sections. A section (also known as office) is the lowest as well as the smallest organisational unit of a ministry/department.

The Split System

The Secretariat system in India is based on the principle of separation of policy-making function from that of policy execution. Under this scheme of separation, that is, the split system, the Secretariat should be concerned only with policy-making and hence, should not indulge itself in process of policy execution. The task of policy-execution should be left to executive agencies which are located outside the Secretariat organisation.

The *advantages* of the split system are:

- (i) It helps Secretariat officials (i.e. policy makers) plan keeping in view aggregate national

interests, goals and requirements. This is because they are freed from the responsibilities of day-to-day administration.

- (ii) It enables the Secretary to examine objectively proposals emanating from executive agencies keeping in view broader point of view of the government as a whole. This is because, the Secretary is secretary to the government as a whole, not to his minister alone.
- (iii) It provides operational freedom to executive agencies in the execution of policies. This is because Secretariat, under the split system, is not supposed to interfere in the task of policy-implementation and has to be solely concerned with policy making. Hence, it encourages specialisation and delegation of authority and avoids over-centralisation.
- (iv) It results in keeping the Secretariat smaller and manageable in size due to division of work between two separate agencies.
- (v) Programme implementation in the field can be evaluated objectively by Secretariat officials. This responsibility cannot be assigned to executive agencies which implement programmes.

In this respect, the Indian Secretariat model differs from the British Whitehall model. In Britain, a ministry is responsible for both, policy-making as well as policy execution. In the words of Avasthi and Avasthi, “The Secretariat in India may be said to be *sui generis*. While it may have adopted Whitehall in Britain as its model, it never became a real counterpart of the British Secretariat. While in India there obtain two sets of parallel hierarchies, one in the Secretariat and the other under the heads of executive departments, no such distinction is found in Britain where a ministry is an integrated agency including within itself both policy formulating and executing agencies.” On the other hand, Indian Secretariat System is similar to the Swedish system. In the words of S.R.Maheshwari, “In this respect India and Sweden might be held to be comparable: Sweden has two separate and quite distinct sets of organisations, one for policy-making and another charged with the responsibility for implementation of the policies”.

Role and Functions

The Secretariat is a staff agency. Its function is to aid and assist the Government of India in fulfilment of its responsibilities and duties. It enables the Government to examine its present activities, emerging problems and future policies in the light of past activities and precedents by acting as an institutionalised memory, that is, a think-tank and treasure house of information. It also carries out a detailed, in-depth and comprehensive examination and verification of an issue before the ministerial (governmental) decisions.

According to official handbooks, Secretariat performs following functions with regard to the ministries/departments.

- (i) Assisting the minister in policy-making and in modifying policies from time to time, as and when necessary;
- (ii) Framing legislation and rules and regulations;
- (iii) Sectoral planning and programme formulation;
- (iv) (a) Budgeting and control of expenditure in respect of activities of the ministry/department; and (b) according or securing administrative and financial approval to operational programmes and plans and their subsequent modifications;
- (v) Supervision and control over the execution of policies and programmes by executive

- departments or semi-autonomous field agencies, and evaluation of the results;
- (vi) Coordination and interpretation of policies, assisting other branches of government and maintaining contact with state administrations;
- (vii) Initiating measures to develop greater personnel and organisational competence both in the ministry/department and its executive agencies; and
- (viii) Assisting a minister in discharging his parliamentary responsibilities.

Tenure System

As defined by S.R. Maheshwari, “the superior positions in the Secretariat are as a rule managed by officers who come from the states (and also from certain Central services) for a specified period and who, after serving their ‘tenure’ would (or should), revert to their respective states or services. In official parlance, this arrangement is known as the tenure system.” Thus, under tenure system of staffing, every official so deputed has to work in the Central Secretariat for a fixed period, which differs from one grade to another in the Secretariat hierarchy as mentioned below.

| | |
|-----------------------------------|---------|
| (i) Secretary and Joint-Secretary | 5 years |
| (ii) Deputy Secretary | 4 years |
| (iii) Under Secretary | 3 years |

The tenure system was introduced in India in 1905 by Lord Curzon, the then Governor-General of India. He believed that “India may be governed from Simla or Calcutta; but is administered from the plains.” The tenure system originated from such a belief of Lord Curzon who came to be regarded as the “father of tenure system.”

The following committees and commissions appointed during the British rule supported the tenure system.

- (i) Llewellyn Smith Committee (1919)—Report of the Government of India Secretariat Procedure Committee.
- (ii) Simon Commission (1930)—Report of the Indian Statutory Commission.
- (iii) Wheeler Committee (1936)—Report of the Government of India Secretariat Committee
- (iv) Maxwell Committee (1937)—Report on organisation and procedure.
- (v) Rowlands Committee (1944—45)—Report of the Bengal Administration Enquiry Committee.

The ARC Study Team on personnel administration (1967) also supported the tenure system of staffing in Central Secretariat (as well as in state secretariats).

The following arguments are put forward in favour of the tenure system.

- (i) It facilitates administrative coordination between the Centre and states. Thus, it strengthens the functioning of Indian federal polity.
- (ii) It facilitates appointment in the Central Secretariat of officers who have first hand experience in field administration (or district administration).
- (iii) It provides state governments officers having national perspective and rich experience.
- (iv) It provides equal opportunities to all the officers who are entitled to a spell of stay at the Secretariat.

- (v) It secures administrative unity of the nation as well as independence of civil service.
- (vi) It facilitates the formulation of realistic national policies, which will have less difficulties in the implementation in the field. This is because, it keeps the secretariat officials in touch with the actual facts of administration.
- (vii) It removes the possibility of officers becoming stale due to their long stay at the secretariat. It provides them with an opportunity of working in a different atmosphere which can bring freshness to their outlook.
- (viii) It enables all the officers to enjoy the special benefits of secretariat posting and thereby improves the morale in the civil service.
- (ix) It provides the required flexibility in the personnel management of the secretariat by enabling it to get rid of inefficient and incompetent officials in an easy manner.

However, the critics have put forth the following arguments against the tenure system:

- (i) It results in ‘office-dominated administration’ and ‘over-bureaucratisation’ of the secretariat. A new officer posted at the secretariat depends too much on permanent office establishment to get things done.
- (ii) It does not ensure specialisation as it is essentially based on the myth of the higher caliber of the generalist administrator. On the other hand, the work in the ministries and departments is fastly becoming specialized.
- (iii) Its main thrust—district or field experience—is not necessary and relevant in many areas of secretariat work.

Notably, the tenure system was never prevalent in all the ministries and departments of the Central government. Even during the British era, the following four departments were excluded from the purview of the tenure system: (a) Indian Audit and Accounts Department; (b) Customs and Income-Tax Department; (c) Foreign and Political Department; and (d) Posts and Telegraphs Department.

Today, the tenure system is not as strong as it used to be before Independence. The following factors have contributed to the weakening and breaking down of the tenure system.

- (i) A large number of posts of Under and Deputy Secretaries are today manned by members of the Central Secretariat Service. Thus, the creation of this service in 1948 gave rise to a separate cadre of permanent Secretariat officers. At present, the Central Secretariat Service comprises of the following five grades: (a) Senior Selection Grade (Director); (b) Selection Grade (Deputy Secretary); (c) Grade-I (Under Secretary); (d) Section Officer’s Grade; and (e) Assistant’s Grade. The Department of Personnel and Training of the Ministry of Personnel is the cadre controlling authority in respect of this service.
- (ii) The specialist members of the Indian Economic Service and the Indian Statistical Service (Created in 1961 as the specialist Central services—Class I) who are posted in large numbers in the Central Secretariat are not subject to tenure system, that is, rotation between the field and headquarter (Secretariat).
- (iii) The creation of the Finance-Commerce pool in 1938 (discontinued in 1946) and the Central administrative pool in 1957 have modified the tenure system. The latter consists of officers drawn from (a) the Indian Administrative Service (IAS), (b) Central Services-Class I, (c) Central Secretariat Service—Class I and (d) State Services—Class I. It was established as a reserve for manning posts of and above the grade of Deputy Secretary in Central Secretariat.

It has both, general purpose and specialised categories of posts in it. The pool is managed and controlled by the Ministry of Personnel.

- (iv) The officers who come to Central Secretariat on deputation under tenure system do not go back to their parent departments or state governments due to the advantages of Secretariat postings like high salary, capital city amenities, nearness to power centre and so on.
- (v) The states are not always enthusiastic about sharing their best officers with Central Government. Such reluctance on the part of state governments has affected the even flow of officers between the Secretariat and the field.
- (vi) The tenure system came into existence when India was a unitary state. But after the Independence, unitary system was replaced by a federal system. As rightly observed by Avasthi and Avasthi, “The tenure system does not fit quite well in a federal polity with autonomous states. Amateur ministers at both, the Central and the state levels need services of permanent advisors in the Secretariat; mere ‘birds of passage’ will not do.”

Secretariat Officials

The present grading of Secretariat officials is as follows.

- Secretary
- Additional Secretary
- Joint Secretary
- Director
- Deputy Secretary
- Under Secretary

The first three grades constitute the ‘top management,’ while the last three grades constitute the “middle management”. All these officials function on the principle of ‘filter,’ that is, each officer disposes of work at his level and submits important cases to the higher level. Moreover, all these grades of officials perform their duties keeping in view the interest of the Government of India as a whole. That is why a Secretary is designated as the Secretary to the Government of India, and not to his minister/ministry alone.

Secretary A Secretary has following roles.

- (i) He is administrative head of the Ministry/Department. His responsibility in this regard is complete and undivided.
- (ii) He is chief advisor to the minister on all aspects of policy and administrative affairs.
- (iii) He represents his ministry/department before the Public Accounts Committee of the Parliament.

Additional/Joint Secretary An Additional Secretary is in charge of either a department or a wing of a department. A Joint Secretary, on the other hand, is always in charge of a wing of a department. The rank and pay of a Joint Secretary is lower than that of an Additional Secretary who is senior to the former. However there is not much distinction in their functions except when an Additional Secretary is in charge of a department. Richard Tottenham Report on the Reorganisation of Central Government (1945) stated that, “Additional and Joint Secretaries should not be either cheap

Secretaries or expensive Deputy Secretaries.”

Director/Deputy Secretary The post of Director was created in 1960. As observed by S.R. Maheshwari, “There is not much Difference between the responsibilities of a Director and a Deputy secretary, nor is a Deputy Secretary placed under a director.” But the rank and pay of a Director is higher than that of a Deputy Secretary.

A Deputy Secretary acts on behalf of the Secretary and is in charge of a division. He himself usually disposes of maximum cases and seeks instructions from Joint/Additional Secretaries or Secretary of the department only on important cases.

Under Secretary He is in charge of a branch and hence, is also called a ‘Branch Officer.’ He usually initiates action on all inward communications. He disposes minor cases on his own and submits only important cases to the Deputy Secretary.

Before Independence, there was another grade called Assistant Secretary below an Under Secretary. This post was abolished on the recommendation of the Maxwell Committee Report of 1937.

Officer on Special Duty (OSD) An Officer on Special Duty is usually appointed from among the existing officials to handle work which is urgent and which needs full concentration. It is basically a temporary post, created to meet a specific exigency, and the duties and functions performed by an OSD are of a special nature. However, the status of an OSD is not fixed and it may vary from that of a Secretary to an Under Secretary. In some cases, a section officer is also appointed as an OSD.

The post of OSD in India is a British legacy. It has the following merits:

- (i) It permits better co-ordination of the work.
- (ii) It facilitates expeditious execution of the decision and completion of the work.

The bodies (agencies) which make the selection of the officers of different grades in the Central Secretariat are mentioned below in [Table 3.1](#).

Table 3.1 Selection of Secretariat Officials

| | <i>Posts</i> | <i>Selection Made By</i> |
|-------|---|--|
| (i) | Secretary/Additional Secretary | Cabinet Secretary |
| (ii) | Joint Secretary | Senior Selection Board (Presided over by the Cabinet Secretary). |
| (iii) | Director/Deputy Secretary/Under Secretary | Central Establishment Board (presided over by the Secretary of the Ministry of Personnel). |

The final decision in all the three cases is taken by the Appointments Committee of the Cabinet which is headed by the Prime Minister.

Office Staff

In addition to the officers component, the Secretariat has an office component. The office component of Secretariat consists of the following personnel.

- Section Officer (Superintendent)

- Assistant Section Officers
- Upper Division Clerks
- Lower Division Clerks
- Steno-typists and Typists
- Manual Workers.

A Section Officer is the head of office (or a section) and acts as a link between the Under Secretary and the entire staff of the Section. His major job is to supervise the work of staff in his section. He is the first line supervisor in the hierarchy of Secretariat personnel.

The staff of the office component of Secretariat is drawn from the following two services.

1. The Central Secretariat Stenographers Service, which consists of the five grades, namely (i) Senior Principal Private Secretary Grade, (ii) Private Secretary Grade (Principal Private Secretary), (iii) Grade A and B (Merged) (Private Secretary), (iv) Grade C (Personal Assistant) and Grade D (Stenographer).
2. The Central Secretariat Clerical Service, which consists of the two grades, namely (i) Upper Division Grade (UDC), and (ii) Lower Division Grade (LDC).

The Department of Personnel and Training of the Ministry of Personnel is the cadre controlling authority in respect of these two services.

Since 1976, the Staff Selection Commission has been organising competitive examinations to directly recruit lower division clerks. The posts of Upper Division Clerks are filled by indirect recruitment, that is, by promoting Lower Division Clerks. The posts of Assistant Section Officers and Section Officers are filled partly by direct recruitment through a competitive examination and partly through promotion of respective subordinate personnel.

Desk Officer System

In 1973, the procedure of work in ministries/departments of Central Government was changed due to the introduction of desk officer system. This was done on the recommendation of Deshmukh Study Team of the Administrative Reforms Commission. This system was adopted from the British Whitehall system.

In this innovative system, work of a ministry at the lowest level is organised into distinct functional desks. Each desk is manned by a team of two functionaries—an Under Secretary and a Section Officer, or a Section Officer and an Assistant Section Officer, or two Section Officers. Each functionary is known as a desk officer and is provided with clerical/stenographic assistance. The desk officer disposes of the cases himself and submits important cases related to policy matters to the higher level for disposal.

The advantages of desk officer system are:

- (i) It facilitates speedy disposal of cases in general, as well as due to level jumping.
- (ii) It avoids examination of a case at the clerical level.
- (iii) It eliminates dilatoriness in the Secretariat functioning.
- (iv) It reduces expenditure.
- (v) It makes the work qualitative as the initial examination of cases is done at the officer's level.

Meaning

As mentioned above, a ministry of the Government of India has executive organisations, in addition to the political head and the Secretariat organisation headed by a Secretary. These executive organisations are engaged in the implementation of policies formulated by the Secretariat organisation. They work below and under the Secretariat and are headed by an executive head (head of the department) known by various designations like Director, Director-General, Controller, Chief-Controller, Inspector-General, Commissioner, Registrar-General, and so on.

Tottenham in his Report on the Reorganisation of the Central Government (1945–46) stated: “The function of the member (minister) is to decide policy, of the Secretary to provide the material on which to reach such decisions, and of the executive head to carry the decisions into effect. On the analogy of the human machine, the member (minister) would represent the will, the Secretary the brain and the executive head the hands.”

Functions

The two popular forms of executive agencies are Attached Office and Subordinate Office. The manual of office procedure defines these offices as follows: “Where the execution of the policies of Government requires decentralisation of executive direction and the establishment of field agencies, a ministry has under it subsidiary offices. The Attached Offices are responsible for providing executive direction required in the implementation of policies laid down by the ministry to which they are attached. They also serve as repository of technical information and advice to the ministry on technical aspects of questions dealt with by them. The subordinate offices function as field establishments or as agencies responsible for the detailed execution of decisions of government. They generally function under the direction of an Attached Office, or in cases where the volume of the execution direction involved is not considerable, directly under a ministry.”

However, the Tottenham Committee (1945–46) and the First Pay Commission (Vardhachariar–1946–47) found the distinction between the Attached Office and the Subordinate Office as unsatisfactory and artificial and hence suggested the abolition of distinction between the two categories of offices.

Patterns of Relationship

A proper relationship between secretariat and executive agencies is very essential for the effective formulation and implementation of policies and programmes. To smoothen the relationship between these two entities, six principal types of arrangements have been made. These are explained below:

1. Complete Separation Pattern Under this pattern, there is a complete separation between the secretariat and its executive agencies. Both have distinct and separate offices and files of their own. This is the most prevalent pattern and is based on the policy-administration separation (split system), staff-line dichotomy and generalist-specialist dichotomy.

- 2. Complete Merger Pattern** Under this pattern, there is a cent-percent merger between the secretariat and its executive agencies. This total integration model is used only in special cases.
- 3. Link Officer Pattern** Under this pattern, a Senior Secretariat Officer is concurrently appointed as head of the executive agency. Thus, the link officer will have a dual role, that is, policy formulation as well as policy implementation.
- 4. Ex-Officio Secretariat Status Pattern** Under this pattern, the head of the executive agency is accorded with an appropriate ex-officio secretariat status. He is given authority to take decisions on certain matters independently. He will have closer involvement in policy-formulation.
- 5. Common Office Pattern** Under this pattern, the secretariat and the executive agency have a common office, common files, and a common file bureau. This common office serves both, the officers of the secretariat as well as those of the executive agency. The Estimates Committee and the Second Pay Commission recommended this pattern.
- 6. Common File Pattern** Under this system, the Secretariat and the executive agency have separate offices but common files and a single file bureau. The Rowlands Committee (Bengal Administration Enquiry Committee) of 1944–45 recommended this pattern.

MINISTRIES AND DEPARTMENTS

Allocation of Business among Ministries

The Government of India (Allocation of Business) Rules, 1961 are made by the President of India under Article 77 of the Constitution for the allocation of business of the Government of India. The Ministries / Departments of the Government are created by the President on the advice of the Prime Minister under these rules. The business of the Government are transacted in the Ministries / Departments as per the distribution of subjects specified in these rules. Each of the Ministries is assigned to a Minister by the President on the advice of the Prime Minister. Each department is generally under the charge of a Secretary to assist the Minister on policy matters and general administration.

The cabinet secretariat is responsible for the administration of the Government of India (Transaction of Business) Rules, 1961 and the Government of India (Allocation of Business) Rules, 1961.

The First Schedule to the Government of India (Allocation of Business) Rules, 1961, specifies the list of Ministries, Departments, Secretariats and Offices (referred to as ‘Departments’); while the Second Schedule to the Rules specifies the distribution of subjects among the Departments.

Reasons for Increase in Ministries

On 15 August, 1947, the Central Government had 18 Ministries. Since then, their number has been on the increase due to the following reasons:

- (i) Increase in the workload of the government

- (ii) Increase in the complexity of work dealt with by the government
- (iii) Increased role of science and technology in administration
- (iv) Increased number of aspirants to ministerial offices
- (v) Emergence of coalition governments and so on

List of Ministries / Departments (2014)

As on 26 June, 2014, the Central Government consisted of the following ministries / departments under the Government of India (Allocation of Business) Rules, 1961 (as amended from time-to-time):

1. Ministry of Agriculture
 - (i) Department of Agriculture and Cooperation
 - (ii) Department of Agricultural Research and Education
 - (iii) Department of Animal Husbandry, Dairying and Fisheries
2. Ministry of Chemicals & Fertilizers
 - (i) Department of Chemicals and Petro-Chemicals
 - (ii) Department of Fertilizers
 - (iii) Department of Pharmaceuticals
3. Ministry of Civil Aviation
4. Ministry of Coal
5. Ministry of Commerce and Industry
 - (i) Department of Commerce
 - (ii) Department of Industrial Policy and Promotion
6. Ministry of Communications and Information Technology
 - (i) Department of Telecommunications
 - (ii) Department of Posts
 - (iii) Department of Electronics and Information Technology
7. Ministry of Consumer Affairs, Food and Public Distribution
 - (i) Department of Consumer Affairs
 - (ii) Department of Food and Public Distribution
8. Ministry of Corporate Affairs
9. Ministry of Culture
10. Ministry of Defence
 - (i) Department of Defence
 - (ii) Department of Defence Production
 - (iii) Department of Defence Research and Development
 - (iv) Department of Ex-Servicemen Welfare
11. Ministry of Development of North Eastern Region
12. Ministry of Drinking Water and Sanitation
13. Ministry of Earth Sciences

14. Ministry of Environment and Forests
15. Ministry of External Affairs
16. Ministry of Finance
 - (i) Department of Economic Affairs
 - (ii) Department of Expenditure
 - (iii) Department of Revenue
 - (iv) Department of Disinvestment
 - (v) Department of Financial Services
17. Ministry of Food Processing Industries
18. Ministry of Health and Family Welfare
 - (i) Department of Health and Family Welfare
 - (ii) Department of Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy (AYUSH)
 - (iii) Department of Health Research
 - (iv) Department of AIDS Control
19. Ministry of Heavy Industries and Public Enterprises
 - (i) Department of Heavy Industries
 - (ii) Department of Public Enterprises
20. Ministry of Home Affairs
 - (i) Department of Internal Security
 - (ii) Department of States
 - (iii) Department of Official Language
 - (iv) Department of Home
 - (v) Department of Jammu and Kashmir Affairs
 - (vi) Department of Border Management
21. Ministry of Human Resource Development
 - (i) Department of School Education and Literacy
 - (ii) Department of Higher Education
22. Ministry of Information and Broadcasting
23. Ministry of Labour and Employment
24. Ministry of Law and Justice
 - (i) Department of Legal Affairs
 - (ii) Legislative Department
 - (iii) Department of Justice
25. Ministry of Micro, Small and Medium Enterprises
26. Ministry of Mines
27. Ministry of Minority Affairs
28. Ministry of New and Renewable Energy
29. Ministry of Overseas Indian Affairs

30. Ministry of Panchayati Raj
31. Ministry of Parliamentary Affairs
32. Ministry of Personnel, Public Grievances and Pensions
 - (i) Department of Personnel and Training
 - (ii) Department of Administrative Reforms and Public Grievances
 - (iii) Department of Pensions and Pensioners' Welfare
33. Ministry of Petroleum and Natural Gas
34. Ministry of Planning
35. Ministry of Power
36. Ministry of Railways
37. Ministry of Road Transport and Highways
38. Ministry of Rural Development
 - (i) Department of Rural Development
 - (ii) Department of Land Resources
39. Ministry of Science and Technology
 - (i) Department of Science and Technology
 - (ii) Department of Scientific and Industrial Research
 - (iii) Department of Bio-Technology
40. Ministry of Shipping
41. Ministry of Social Justice and Empowerment
 - (i) Department of Social Justice and Empowerment
 - (ii) Department of Disability Affairs
42. Ministry of Statistics and Programme Implementation
43. Ministry of Steel
44. Ministry of Textiles
45. Ministry of Tourism
46. Ministry of Tribal Affairs
47. Ministry of Urban Development
48. Ministry of Housing and Urban Poverty Alleviation
49. Ministry of Water Resources
50. Ministry of Women and Child Development
51. Ministry of Youth Affairs and Sports
 - (i) Department of Youth Affairs
 - (ii) Department of Sports
52. Department of Atomic Energy
53. Department of Space
54. Cabinet Secretariat
55. President's Secretariat

56. Prime Minister's Office

57. Planning Commission

CABINET SECRETARIAT

Meaning

The constitution of India provided for a Parliamentary system of government with Cabinet as the real executive. The Cabinet headed by the Prime Minister is responsible for the entire administration of the Government of India (i.e. Central administration). In this task, the Cabinet is assisted by the Cabinet Secretariat.

Thus, the Cabinet Secretariat is a staff agency to the Union Cabinet. It operates under the direction and leadership of the Prime Minister of India. It has an important coordinating role in the process of policy-making at the highest level in the Central Government.

The Cabinet Secretariat enjoys the status of a department of the Government of India under the Allocation of Business Rules, 1961. It is headed politically, by the Prime Minister and administratively, by the Cabinet Secretary.

The Cabinet Secretariat came into existence in 1947 by replacing the Secretariat of the Governor-General's Executive Council.

Organisation

The Cabinet Secretariat has three wings—Civil Wing, Military Wing and Intelligence Wing. The civil wing is the main wing and provides aid, advice and assistance to the Union Cabinet. The military wing provides secretarial assistance to the Defence Committee of the Cabinet, the Military Affairs Committee, the National Defence Council and other committees dealing with defence matters. The intelligence wing deals with matters pertaining to the Joint Intelligence Committee of the Union Cabinet.

Besides the main secretariat, the cabinet secretariat comprises of the following organisations:

- (i) Research and Analysis Wing (RAW)
- (ii) Director General of Security
- (iii) Special Protection Group
- (iv) Joint Intelligence Committee
- (v) Directorate of Public Grievances

In 1997, the National Authority, Chemical Weapons Convention was set up by a resolution of the cabinet secretariat. It is under the administrative control of the cabinet secretariat.

In 1988, the Directorate of Public Grievances was set up as an organ of the Cabinet Secretariat. It is headed by a Director having the rank of a Secretary to the Government of India.

Below and under the Cabinet Secretary, there are a large number of other secretaries to assist him in the discharge of his functions and responsibilities. These secretaries belong to various ranks ranging from Secretary to an Under Secretary. In addition, the Cabinet Secretariat has subject related advisors to the Prime Minister.

Functions

The following functions are performed by the Cabinet Secretariat.

- (i) It prepares agenda for meetings of the Cabinet and provides necessary information and material for its deliberations.
- (ii) It keeps a record of the discussions and decisions of the Cabinet and Cabinet Committees and circulates them to all the concerned ministries.
- (iii) It provides secretarial assistance to the Cabinet Committees.
- (iv) It keeps the President, Vice-President and all the Central Ministries informed of the main activities of the Central Government.
- (v) It prepares and finalises the rules of business of the government and allots the business of the Government among Ministries/departments of the Union Government with the President's approval.
- (vi) It functions as the chief coordinating agency in the Central Government. In this respect, it settles disputes between the ministries.
- (vii) It watches the implementation of Cabinet decisions by the concerned ministries/departments and other executive agencies.
- (viii) It handles the work pertaining to appointment and resignation of ministers, allotment of portfolios to the ministers, and organisation and re-organisation of ministries.

Role

The Cabinet Secretariat is under the direct charge of the Prime Minister. The administrative head of the Secretariat is the Cabinet Secretary who is also the ex-officio Chairman of the Civil Services Board.

In the Government of India (Allocation of Business) Rules, 1961 "Cabinet Secretariat" finds a place in the First Schedule to the Rules. The subjects allotted to this Secretariat are:

- (i) Secretarial assistance to Cabinet and Cabinet Committees
- (ii) Rules of Business

The Cabinet Secretariat is responsible for the administration of the Government of India (Transaction of Business) Rules, 1961 and the Government of India (Allocation of Business) Rules 1961, facilitating smooth transaction of business in Ministries/Departments of the Government by ensuring adherence to these rules. The Secretariat assists in decision-making in Government by ensuring inter-ministerial coordination, ironing out differences amongst Ministries/Departments and evolving consensus through the instrumentality of the standing/adhoc Committees of Secretaries. Through this mechanism new policy initiatives are also promoted.

The Cabinet Secretariat ensures that the President, the Vice President and Ministers are kept informed of the major activities of all Ministries/Departments by means of monthly summary of their activities. Management of major crises situations in the country and coordinating activities of various ministries in such a situation is also one of the functions of the Cabinet Secretariat.

The secretarial assistance provided by Cabinet Secretariat to the Cabinet and Cabinet Committees includes:

- (i) Convening of the meetings of the Cabinet on the orders of the Prime Minister.
- (ii) Preparation and circulation of the agenda.
- (iii) Circulating papers related to the cases on the agenda.
- (iv) Preparing a record of discussions taken.
- (v) Circulation of the record after obtaining the approval of the Prime Minister.
- (vi) Watching implementation of the decisions taken by the Cabinet.

The Cabinet Secretariat is the custodian of the papers of the Cabinet meetings.

Among the inter-ministerial matters, coordination is required for:

- (i) removing difficulties;
- (ii) removing differences;
- (iii) overcoming delays;
- (iv) coordination in administrative action; and
- (v) coordination of policies.

While each Ministry is responsible for acting on its own for expeditious implementation of Government policies, plans and programmes, where inter-ministerial cooperation is involved, they often seek the assistance of the Cabinet Secretariat. The inter-ministerial problems are dealt with in the meetings of the Committees of Secretaries (COS). The Committees are constituted for discussing specific matters and proposals emanating from various Secretaries to the Government and meetings are held under the chairmanship of the Cabinet Secretary. These committees have been able to break bottlenecks or secure mutually supporting inter-ministerial action.

The discussions of the COS takes place on the basis of a paper formulated by the principal department concerned and the department with a different point of view, if any, providing a supplementary note. The decisions or recommendations of the COS are unanimous. These proceedings are also circulated to and are followed up by the departments. There are other important functions which it discharges, viz.,

- (i) Monitoring
- (ii) Coordination
- (iii) Promoting new policy initiatives

The Cabinet Secretariat is seen as a useful mechanism by the departments for promoting inter-ministerial coordination since the Cabinet Secretary is also the head of the civil services. The Secretaries feel it necessary to keep the Cabinet Secretary informed of developments from time to time. The Transaction of Business Rules also requires them to keep the Cabinet Secretary informed of developments from time to time, specially if there are any departures from these rules.

Cabinet Secretary

The office of Cabinet Secretary was created in India in 1950. Its first occupant was N.R. Pillai.

A Cabinet Secretary is the head of the Cabinet Secretariat. He succeeded the Secretary to the Governor-General's Executive Council.

He is given a top place among the civil servants in the official warrant of precedence. Thus, he is the senior most civil servant in India. Such a status to a Cabinet Secretary was recommended by the

Gopalaswamy Ayyangar Report on Reorganisation of the Machinery of Government (1949). However, his tenure of office is not fixed.

The following points highlight the role, powers and functions of a Cabinet Secretary.

- (i) He is the chief coordinator of Central administration. But, he has no supervisory function over ministries/departments.
- (ii) He is a Chairman of the Senior Selection Board which selects officers for the post of Joint Secretary in the Central Secretariat.
- (iii) He himself selects the officers for the posts of Secretary and Additional Secretary in the Central Secretariat.
- (iv) He is the Chairman of the Committee of Secretaries on Administration which is set up to resolve inter-ministerial disputes.
- (v) He presides over the Conference of Chief Secretaries which is held annually.
- (vi) He acts as a chief advisor to the Prime Minister on all aspects of administration and policy.
- (vii) His sanction should be obtained by a minister before launching prosecution against the publisher or editor of newspaper in cases of defamation.
- (viii) He serves on occasions as a factotum when the Prime Minister deems necessary and calls him to be so.
- (ix) He acts as an advisor and conscience-keeper to all the civil servants. He advises and guides them on cases of inter-departmental difficulties.
- (x) He acts as a link between the Prime Minister's Office (PMO) and various administrative agencies and also between the civil service and the political system.

On the role of a Cabinet Secretary, S.S. Khera, a former Cabinet Secretary, in his book, *The Central Executive*, observed that, "The Cabinet Secretary provides the eyes and ears for the Prime Minister to keep in touch with the process of official business in the Central Government. But he is in no sense a watchdog or an invigilator on behalf of the Prime Minister... A Cabinet Secretary's is a very general staff function, not a line function in relation to the ministries. His business is to help, not to oversee."

PRIME MINISTER'S OFFICE/SECRETARIAT

Meaning

The Prime Minister, as the head of the government and the real executive authority, plays a very significant and crucial role in the politico-administrative system of the country. In the fulfilment of his onerous responsibilities, the Prime Minister is assisted by the Prime Minister's Office (PMO).

Thus, the PMO is a staff agency meant for providing secretarial assistance and crucial advice to the Prime Minister. It plays an important role in the process of decision-making at the top level in the Government of India. However, it is an extra-constitutional body.

The PMO enjoys the status of a department of the Government of India under the Allocation of Business Rules, 1961. It has no attached and subordinate office under it.

The PMO came into existence in 1947 by replacing the Secretary to the Governor-General

(Personal). Till June 1977, it was called as the Prime Minister's Secretariat (PMS).

Composition

The PMO is headed politically, by the Prime Minister and administratively, by the Principal Secretary.

Additionally, it consists of one or two additional secretaries, three to five joint secretaries and a number of directors/deputy secretaries and under-secretaries. There are also other officers like private secretaries, officer on special duty (OSD), Social Secretary, Research Officer, Hindi Officer and so on. These officers are supported by the regular office establishment consisting of section officers, UDCs, LDCs, stenographers and so forth.

These personnel are generally drawn from the Civil Service and posted for varying periods. Their status is equivalent to the status of officers of different ministries/departments in the Central Government.

The Principal Secretary to the Prime Minister, as the administrative head of the PMO, plays an important role and performs the following functions:

- (i) Deals with all governmental files in the office.
- (ii) Puts before the Prime Minister all important documents for orders and instructions.
- (iii) Prepares notes on matters to be discussed by the Prime Minister with important dignitaries.
- (iv) Looks after the affairs of different ministries and departments which are handed over by the Prime Minister.
- (v) Coordinates the activities of various personnel in the office.
- (vi) Tenders advice to the Prime Minister on various foreign and domestic matters.

Functions

The PMO performs several functions:

- (i) Assisting the Prime Minister in respect of his overall responsibilities as head of the government like maintaining liaison with central ministries/departments and the state governments.
- (ii) Helping the Prime Minister in respect of his responsibilities as chairman of the Planning Commission, and the National Development Council.
- (iii) Looking after the public relations of the Prime Minister like contact with the press and general public.
- (iv) Dealing with all references which under the Rules of Business have to come to the Prime Minister.
- (v) Providing assistance to the Prime Minister in the examination of cases submitted to him for orders under prescribed rules.
- (vi) Maintaining liaison with the President, Governors, and Foreign Representatives in the country.
- (vii) Acting as the 'think-tank' of the Prime Minister.

Two more things should be noted with regard to the functions of PMO. One, it acts as the residual

legatee of the Central Government, that is, it deals with all such subjects which are not allotted to any ministry/department. Two, it is not concerned with the responsibilities of Prime Minister as the chairman of the Union Cabinet. The cabinet cases are directly dealt by the Cabinet Secretariat, which also functions under the direction of the Prime Minister.

Changing Role

The role of PMO varied from Prime Minister to Prime Minister. Over the years, it has grown very big and powerful and started functioning on a scale that was not anticipated at the time of its inception in 1947.

During the prime ministership of Jawaharlal Nehru, the PMO was small in the size and played a limited role, but Lal Bahadur Shastri, who succeeded Nehru, strengthened the PMO and made it a powerful organ. The same trend was continued by Indira Gandhi also. In 1977, the Janata Government took measures to de-emphasise its dominant role, including the change of its nomenclature (i.e., from Prime Minister's secretariat to Prime Minister's Office). However, when Indira Gandhi returned to power after the collapse of the short-lived Janata Government, she again strengthened the PMO. This trend continued during Rajiv Gandhi's time and continues till today.

At present, the PMO has over 350 people under its roof. This large establishment runs a 'parallel' administration, that is, every ministry/department of the Central Government is duplicated here. This trend has damaged the prestige of ministers and the authority of departmental bureaucracy.

Thus, the PMO emerged as a rival centre of power at the official level and to that extent the 'legitimate' role, significance, authority and position of the Cabinet Secretariat and Cabinet Secretary in the Indian Cabinet System of government have gone down. As rightly said by Ajay K. Mehra, "Constitutional practice recognises the Cabinet Secretariat, not the PMO, as the supporting institution for the apex executive body. The controversy over the PMO, therefore, is not merely with regard to its enjoying power disproportionate to its political location, the issue is that it has completely eclipsed the Cabinet Secretariat."

Therefore, the critics have described the PMO variously as 'Super Cabinet', 'Micro Cabinet', 'Super Ministry', 'Super Secretariat', 'Supra-authority', 'the Government of India', 'the Government of the Government of India' and so on.

BOARDS AND COMMISSIONS

In the administrative structure of India, there exist two types of organisations, namely

- (i) Bureau type, where administrative authority is vested in a single individual.
- (ii) Board and Commission type, where administrative authority is vested in a group of individuals.

Thus, bureaus are single-headed bodies while the boards and commissions are multi-headed bodies. Departments belong to the first category.

The terms 'boards' and 'commissions' are interchangeably used though they differ. In the case of a board, the members act collectively upon all the matters of the organisation. While, in the case of a Commission, the members not only act collectively as a board, but also act individually as heads of distinct units of the organisation.

Boards and Commissions can be classified on different bases. These are explained as follows.

A. Legal Status

On the basis of the legal status, the Boards and Commissions can be classified into three categories, viz.

- (a) Boards and Commissions established by the Constitution itself or established by the President under his constitutional authority. These are called ‘constitutional bodies’. They include the following:
 - (i) Election Commission
 - (ii) Union Public Service Commission
 - (iii) State Public Service Commission
 - (iv) Finance Commission
 - (v) Official Language Commission
 - (vi) Backward Classes Commission
 - (vii) National Commission for SCs
 - (viii) National Commission for STs
- (b) Boards and Commissions established by special Acts of Parliament. These are called ‘statutory bodies’. They include the following:
 - (i) University Grants Commission
 - (ii) Oil and Natural Gas Commission
 - (iii) Central Board of Direct Taxes
 - (iv) Central Board of Excise and Customs
 - (v) Railway Board
 - (vi) Atomic Energy Commission
 - (vii) Flood Control Board
 - (viii) National Commission for Women, and so on.
- (c) Boards and Commissions established by separate executive resolutions or orders of the Central Government. These are called ‘attached bodies’ and are placed under the direct control of the concerned ministries. They include the following:
 - (i) All-India Handloom Board
 - (ii) Planning Commission
 - (iii) Staff Selection Commission
 - (iv) All-India Handicraft Board, and so on.

B. Nature of Authority

On the basis of nature of authority, the Boards and Commissions can be classified into the following three categories:

- (a) Boards and Commissions which perform purely advisory functions, for example, the Small

Scale Industries Board

- (b) Boards and Commissions which make policies and give administrative directions, for example, the Planning Commission
- (c) Boards and Commissions which not only make policies and issue administrative directions but also execute the policies, for example, the Atomic Energy Commission or the Railway Board.

C. Functions Performed

On the basis of the functions performed, the Boards and Commissions can be classified into three categories.

They are

- (a) Boards and Commissions which are engaged in developmental activities, for example, the All-India Handicraft Board or the Industrial Promotion Board
- (b) Boards and Commissions which are engaged in regulatory activities, for example, the Central Electricity Regulatory Commission
- (c) Boards and Commissions which are engaged in both developmental and regulatory activities, for example, Central Silk Board.

D. Location

On the basis of the location, the Boards and Commissions can be classified into the following two categories.

- (a) Boards and Commissions acting as the substitutes for the Ministries or Departments, for example, the Railway Board or the Posts and Telegraphs Board
- (b) Boards and Commissions working as the subordinate agencies under the Ministries or Departments, for example, the Education Boards in the states

PUBLIC ENTERPRISES

Public enterprises are those which are owned wholly or partially by the Central Government or a state government or jointly by Central and a state governments, and which are engaged in the industrial, agricultural, commercial, or financial activities having self-management.

Public enterprises in India are organised into four major patterns (principal forms)—Departmental Undertakings, Public Corporations, Government Companies, and Holding Companies. Besides, there are various other forms *viz.* Commissions, Control Boards, Cooperative Societies, Public Trusts, and Commodity Boards.

Departmental Undertaking

It is the traditional and the oldest form of public enterprise. The Railways and the Posts and Telegraphs are the two major departmental undertakings. Besides, All-India Radio, Doordarshan,

Defence Production Units, Atomic Power Projects, Government Printing Press are also organised as departmental undertakings. This pattern is usually used when the principle objective of an enterprise is to provide revenue.

The characteristics of a departmental undertaking form of organisation are:

- (i) Its aggregate investment is wholly made by the Government. A private party is debarred from investing in it.
- (ii) It is financed by annual appropriations from the treasury. Also, all its revenues or a major part of it are paid into the treasury.
- (iii) It is subject to budget, accounting and audit controls, which are applicable to other government departments.
- (iv) Its permanent staff consists of civil servants. Also, their methods of recruitment and service conditions are ordinarily the same as other civil servants (i.e. government staff).
- (v) It is generally organised as a major sub-division of one of the departments of the Government and is subject to direct control of the head of the department.
- (vi) It possesses sovereign immunity of the state and cannot be sued without the consent of the government.
- (vii) It is accountable to the Parliament through the concerned minister.
- (viii) It is created by an executive resolution, prior approval of the Parliament is not required to create it.

The *advantages* of a departmental undertaking form of organisation are:

- (i) It provides for a maximum degree of control by a minister who is politically responsible to the Parliament.
- (ii) It facilitates a clear relationship with other parts of the governmental structure.
- (iii) It enables the Government to have better control over its funds. Thus it prevents the public money from being misappropriated and misused.
- (iv) It is a well-known form of organisation, having fixed rules and standard patterns.
- (v) It is most suitable for those enterprises which are set up for special reasons like defence, strategic importance, national security, economic control, financial control, safeguarding public interest, and so on.

The *disadvantages* of a departmental undertaking form of organisation are:

- (i) It directly negates the requirements of autonomy due to excessive control.
- (ii) It militates against initiative and flexibility of the enterprise.
- (iii) It leads to rigid financial and budgetary control.
- (iv) It has rigidity of rules and regulations and red tape leading to delays.
- (v) It does not facilitate sufficient delegation of authority due to over centralisation.

Therefore, this form of organisation is not used for economic and financial enterprises in recent times because of its inherent characteristics of rigidity and delays.

Public Corporation

A public corporation as a form of public enterprise developed in the second half of 20th century. W.A. Robson said, “Public Corporation is the most important invention of the twentieth century in the sphere of government institutions.”

Some important public corporations of Central Government are:

- (i) Reserve Bank of India (1935)
- (ii) Damodar Valley Corporation (1948)
- (iii) Industrial Finance Corporation of India (1948)
- (iv) Indian Airlines Corporation (1953)
- (v) Air India International (1953)
- (vi) State Bank of India (1955)
- (vii) Life Insurance Corporation of India (1956)
- (viii) Central Warehousing Corporation (1957)
- (ix) Oil and Natural Gas Commission (1959)
- (x) Food Corporation of India (1964)

Some important public corporations of state governments are:

- (i) State Road Transport Corporations
- (ii) State Financial Corporations
- (iii) State Electricity Boards
- (iv) State Land Mortgage Banks

The *characteristics* of a public corporation form of organisation are:

- (i) It is wholly owned by state, that is, its entire capital is provided by the government.
- (ii) It is created by (or pursuant to) a special law of legislature (either Central or state). This special statute defines its objectives, powers, duties and privileges and also prescribes the form of management and its relationship to the government departments.
- (iii) It (as a corporate body) has a separate entity for legal purposes and can sue and be sued, enter into contracts and acquire property in its name.
- (iv) It is usually independently financed except for appropriations to provide capital or to cover losses. It obtains its funds from borrowing (either from the treasury or the public) and from revenues derived from the sale of its goods and services. It is authorised to use and reuse its revenues.
- (v) It is generally exempted from most regulatory and prohibitory statutes applicable to the expenditure of public funds.
- (vi) It is ordinarily not subject to budget, accounting and audit laws and procedures which are applicable to non-corporate agencies (government departments).
- (vii) Its employees (in the majority of cases) are not civil servants and are recruited and remunerated under terms and conditions which are determined by the corporation itself.
- (viii) It enjoys functional autonomy and is not subject to direct control of the head of the department (the minister) in its normal operations. Except for the formal policy directions issued to it by a minister, it is guided (in its functioning) by the statute which created it. It is managed by a Board of Directors appointed by the Government. One of the directors is appointed as the

Chairman of the Board.

The *advantages* of a public corporation form of organisation are:

- (i) It facilitates autonomy in its day-to-day administration
- (ii) It provides freedom from political influences and partisan considerations.
- (iii) It provides for a healthy synthesis of commercial efficiency of a private enterprise with public accountability of a government department.
- (iv) It provides freedom from unsuitable rules, regulations and controls of the government.
- (v) It facilitates a high degree of financial flexibility and personnel autonomy.
- (vi) It is a valuable instrument for social control of economic life.

The *disadvantages* of a public corporation form of organisation are:

- (i) It is inherently rigid and ill-suited to meet the requirements of changing times. This means that a change in its structure or procedure or other aspects can be effected only by a statutory amendment (by the legislature).
- (ii) It gives rise to the problems of reconciling administrative autonomy with public accountability.
- (iii) It does not facilitate clear distinction between the “matters of policy” and “matters of day-to-day administration.”
- (iv) It places significant political power in the hands of a small unrepresentative, and in extreme cases, a self-perpetuating group which controls and manages it.
- (v) It, in practice, does not facilitate flexibility and autonomy in both financial and administrative aspects. The ministries look upon the corporations as their wings or branches and issue orders and directions in a similar way.

Government Company

A government company is the most popular and extensively used form of organisation for management of public enterprises (both industrial as well as commercial) in India. It is registered under the Indian Companies Act of 1956. This Act defines a government company as one in which not less than 51% of the share capital is held either by the Central Government or the state government(s) or partly by the Central Government and partly by the state government(s). A government company can be wholly owned by the Government (i.e. the total share capital is invested by the Government) or can be partially owned by the Government (i.e. 51 per cent of the share capital is invested by the Government and the remaining capital furnished by private enterprises). Thus, the latter type of government company is also known as a mixed-ownership company as it comprises a joint enterprise in which the share capital is shared between the Government and the private interests, which can be either national or foreign. By acquiring 51 per cent or above of the share capital, the Government becomes the *de facto* (real) controller of the affairs of the mixed ownership company. This is why it is called a government company.

The Indian Companies Act of 1956 recognises two forms of companies—private limited company and public limited company. The differences between these two forms are mentioned below in [Table 3.2](#).

Table 3.2**Private Limited vs Public Limited Companies**

| <i>Private Limited Company</i> | <i>Public Limited Company</i> |
|--|--|
| 1. Its formation requires a minimum of two shareholders. | 1. Its formation requires a minimum of seven shareholders. |
| 2. Its shareholder's right to transfer his shares is restricted. | 2. Its shareholder's right to transfer his shares is not restricted. |
| 3. Its maximum number of shareholders cannot be more than fifty. | 3. Its maximum number of shareholders is not restricted. |

The above points of distinction makes it very clear that a private limited company is more suitable than the public limited company for organising a public enterprise. Hence, the governments in India have preferred the private limited company.

Some important Government companies are:

- (i) Bharat Heavy Electricals (Private) Limited
- (ii) Hindustan Antibiotics Limited
- (iii) Bharat Electronics (Private) Limited
- (iv) Rashtriya Fertilizers and Chemicals (Private) Limited
- (v) Hindustan Machine Tools (Private) Limited
- (vi) Hindustan Cable (Private) Limited
- (vii) Hindustan Housing Factory (Private) Limited
- (viii) Fertilizer Corporation of India Limited
- (ix) Hindustan Insecticides (Private) Limited
- (x) Shipping Corporation of India Limited
- (xi) Hindustan Shipyard Limited
- (xii) Maruti Udyog Limited
- (xiii) Indian Telephone Industries Limited
- (xiv) National Coal Development Corporation
- (xv) Heavy Engineering Corporation
- (xvi) India Tourism Development Corporation
- (xvii) Indian Oil Corporation

It should be noted here that some of the Government companies use the word 'corporation,' but they are actually organised as Government companies. For example, Fertilizer Corporation of India, Indian Oil Corporation.

The *characteristics* of a Government company form of organisation are:

- (i) It has most of the features of a private limited company.
- (ii) It is either wholly owned by the government or 51 per cent (or above) of the capital stock is owned by the Government.
- (iii) It is created by an executive resolution under the general law, that is, the Indian Companies Act of 1956. The executive need not seek the approval of legislature.
- (iv) It is a body corporate and has a separate entity for legal purposes and can sue and be sued,

enter into contracts and acquire property in its name.

- (v) Its Articles of Association (which lays down the rules of internal management) are drawn up and revisable by the Government.
- (vi) Its funds are obtained from the Government and, in some cases, from private shareholders, and through revenues derived from the sale of its goods and services.
- (vii) It is ordinarily not subject to budget, accounting and audit laws and procedures which are applicable to Government departments.
- (viii) Its employees (excluding the deputationists) are not civil servants and are recruited and remunerated under terms and conditions which are determined by the company itself.
- (ix) All the directors or a majority of them are appointed by the Government depending upon the extent to which private capital is participating in the enterprises.

The *advantages* of a government company form of organisation or the reasons for its popularity in India are:

- (i) It facilitates ease and convenience in forming an enterprise. This is so because it can be created by an executive decision without Parliamentary approval. This is the principal reason for its popularity.
- (ii) It provides for sufficient government control.
- (iii) It enables association with private enterprise.
- (iv) It facilitates autonomy in day-to-day administration.
- (v) It provides for a high degree of financial flexibility and personnel autonomy.
- (vi) It provides for easy expansion and extension.

The *disadvantages* of a government company form of organisation are:

- (i) It evades constitutional responsibilities which a state-controlled enterprise has in a democratic society towards the government and to the Parliament. This is the reason why it was described by a former Comptroller and Auditor General of India as “a fraud on the Company’s Act and on the Constitution of India.” Lanka Sundaram described it as “an imperium in imperio” (a small kingdom within a kingdom).
- (ii) The use of the company form and of the law regulating commercial companies, usually becomes a mere fiction because all or most of the functions normally vested in the shareholders and in the management, are reserved to the government by the statute setting up the company.
- (iii) It, in practice, does not facilitate flexibility and autonomy in both financial and administrative aspects. The Estimates Committee of Lok Sabha said, “the companies are more or less extensions of departments ... and are run almost on the same pattern, with minor changes here and there.”

The question of suitability of the forms of public enterprise was examined by various committees and commissions. The following points can be noted in this regard.

- (i) A.D. Gorwala in his Report on the Efficient Conduct of State Enterprises (1951) considered government company form superior to public corporation form because of its flexibility.
- (ii) The First Five-Year Plan document supported the adoption of Government Company form.
- (iii) The Estimates Committee of Lok Sabha (1960) recommended in favour of public corporation

form for organising public enterprises.

(iv) The Krishna Menon Committee suggested the adoption of public corporation form.

(v) The Administrative Reforms Commission favoured the adoption of public corporation form in general in organising public enterprises.

Holding Company

A holding company form of organisation involves integration of all the companies which are operating in the same field or which have strong technical and commercial affinities with each other under a common management. Thus, such companies called as subsidiaries are brought under the common management of a holding company. A holding company is one which has acquired a majority share in the ownership capital and which, by virtue of its share ownership, is able to control the management of subsidiary companies. Some examples of holding companies are:

(i) Steel Authority of India Limited (1973)

(ii) Coal Authority of India Limited

(iii) Ashoka Group of Hotels

(iv) State Trading Corporation of India

(v) General Insurance Corporation of India

(vi) Gas Authority of India Limited

A 'sector corporation' form of organisation recommended in 1967 by the Administrative Reforms Commission is similar to the holding company form of organisations. In 1986, the Arjun Sengupta Committee recommended the establishment of holding companies or sector corporations in main areas of the economy.

Other Forms

In addition to the above mentioned four major forms, there are other forms of public enterprises. They are:

Control Board These are established for the management of multi-purpose river valley projects. They are created by an executive resolution of either Central Government or a state government. There are various control boards in the country like Nagarjunsagar Control Board, Kosi Control Board, Bhakra–Beas Management Board and so on.

Public Trust These are established for managing service enterprises or for regulating those activities which affect the society in general. They are created by special acts of Parliament. The examples of such enterprises are Port Trusts, Unit Trust of India and so on.

Commission These are established to undertake development work in their fields. They are created by special acts of Parliament. The examples of such enterprises are Tariff Commission, Khadi and Village Industries Commission, Forward Markets Commission and so on.

Commodity Board These are established to promote industrial development. They are created by special acts of Parliament. The examples of such enterprises are Small-Scale Industries Board,

Coffee Board, Rubber Board, and so on.

Cooperative Society These are established to undertake developmental and promotional activities. They are registered under the Societies Registration Act. The examples of such enterprises are Indian National Research Development Corporation, Trade Fair Authority of India, Indian Dairy Development Corporation.